

AN INTRODUCTION
TO CO-OPERATION IN INDIA

INDIA OF TO-DAY.

*A series of booklets dealing with
problems of general interest.*

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VOLUME I

An Introduction TO Co-operation in India

BY

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PREFACE.

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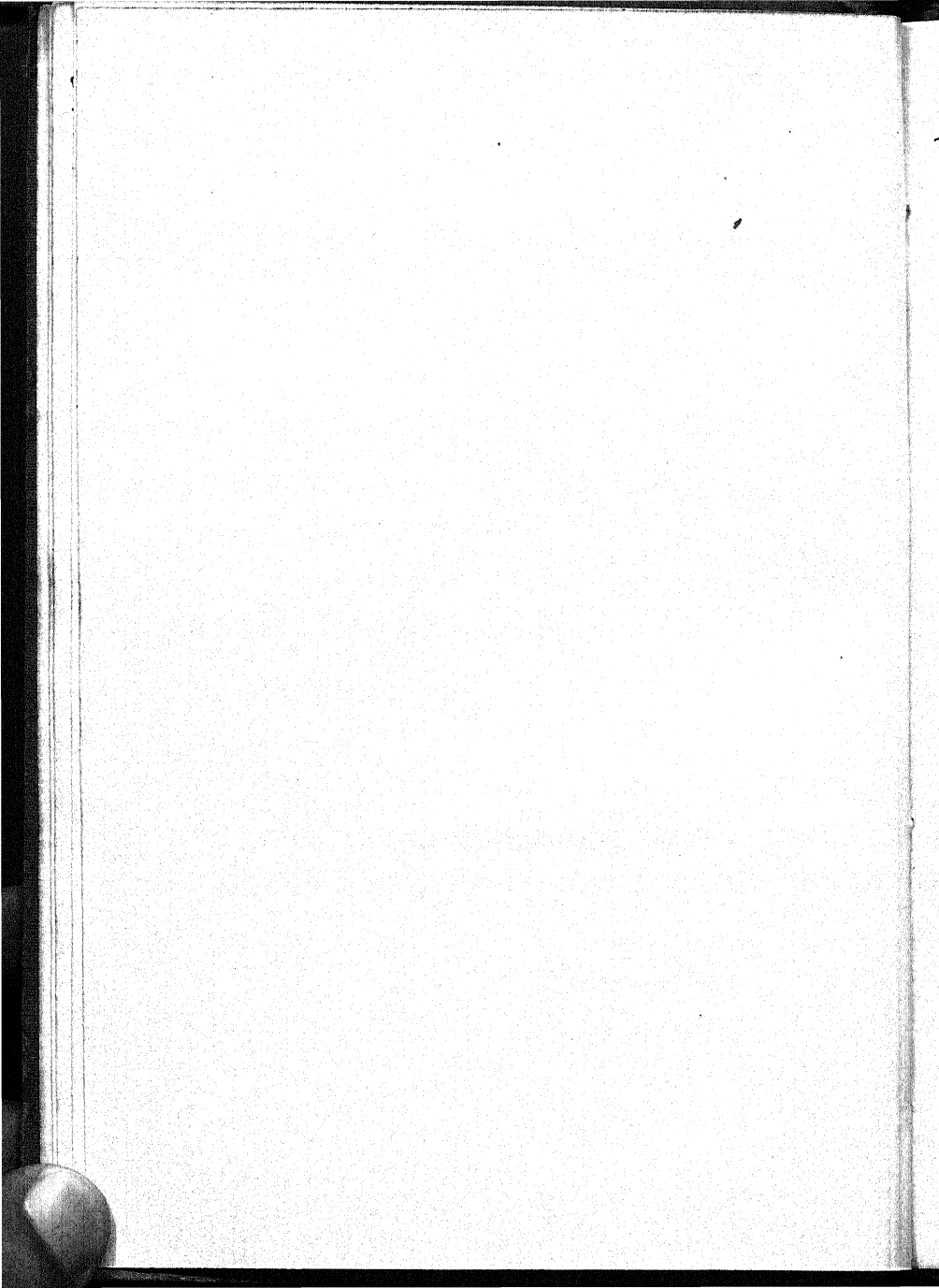
A SOCIAL student should eschew the common error of regarding co-operation as a simple subject : it is on the contrary a subject both technical in its theory and complicated in its practice. To introduce him therefore to the types of co-operative society existing in India without a previous examination of the evils which co-operation seeks to remedy, and for which its disciples claim that no other medicine will be found effectual, would be to place him in an altogether false position for understanding what he reads. The economic conditions of the world as now governed by capitalism, and the proposals made by socialists and others for their improvement have first been discussed ; then after an attempt to define co-operation, and a brief account of what has been accomplished by England and Italy, the exemplars of consumers' and producers' co-operation respectively, the origin of the movement in India, the progress made up to date, and the principal forms of society which have been developed, have been shortly reviewed. It has not been possible to mention all the noteworthy features of the systems prevailing in the different parts of India, and the apologies of the writer are due for any partiality or neglect which he may appear to have used.

C. F. STRICKLAND.

AGRA, 20th March, 1922.

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Chapter I.

THE ECONOMIC PROBLEM.

BEFORE embarking on a definition of Co-operation, it is convenient briefly to describe the problem which it attempts to solve. A primitive state of society may be imagined in which the economic difficulty was chiefly due to lack of organization: communications were imperfect, knowledge was limited, and the grain-grower who bartered his crops for cloth, salt, and timber, or the weaver, salt scraper, or woodman with whom he dealt, might at one moment find a surplus on his hands or at another time be unable to secure the simple necessities of his life. Each was independent but helpless; no man trusted another: there was no credit and little capital; existence was "solitary, poor, nasty, brutish and short."

With the extension of settled government and the improvement of communications appeared the master-worker and the trader, each of whom must possess a little stock of wealth and enjoy in some degree the confidence of other persons. Capital enabled the one to produce and the other to hold in stock a larger quantity of goods, while credit permitted them to use a running account and to receive supplies without previous payment. Exchange between producer and consumer was no longer direct but through the agency of the middleman, the latter performing a valuable function in that he economized the time of all parties and assisted their productive activities. In greater or less degree the world was now organized and men were mutually dependent: they lived by exchange, and exchange rested on a foundation of credit.

The complication of economic movements by the introduction of machinery and of advertisement led to a progressive replacement of the master-worker and the trader by the capitalist manufacturer and wholesale merchant, and still more notably by the manufacturing or trading company backed by the financier. Producer and consumer are now parted from one another by a crowd of middlemen, who by the use of credit and by their knowledge of the commercial market are able to control both production and distribution. The remoteness of the parties from one another, however, renders it impossible for the producer to foresee what will be required or for the consumer to estimate the true exchange-value of what is offered to him. From this cause arise two of the gravest evils found in capitalism, waste through misjudgment as to the quantity required in a given market, and adulteration or manufacture of shoddy in consequence of the consumer's inability to convey his wishes to the producer or to appreciate the quality of goods.

Waste involves primarily a loss to the producer, who hands over to the middleman a greater stock than the latter can ultimately sell ; the producer therefore receives a lower price. The middleman at the same time will not handle an article on which he does not earn a profit ; he must sell to the retailer or the consumer at a price which insures him against the risk of not selling all that he has bought ; the consumer therefore pays a higher price. Adulteration and the manufacture of shoddy require little discussion ; the consumer does not buy what he thinks that he is buying ; befogged by advertisements or encircled by a Trust, he acquiesces in a base article because he can see nothing better within his reach. It is not suggested that modern mass-production and the intervention of the skilled merchant are in themselves evil ; the aggregation of material, labour and men in factories, the utilisation of skilled brains in advertisement and marketing, have brought into the hands of every citizen and every savage an abundance of necessities and a variety of luxuries to which his recent ancestors were strangers. On the other hand, the defects of the new organization are evident and serious : advertisement may be false and competition destructive : the tendency in every

market is towards monopoly, and monopoly may be tyrannous : exchange is organized but its organizers are not infallible ; and above all the number of hands through which an article passes on its road from the prime producer to the ultimate consumer is so excessive that the retail price to the latter may bear no relation whatever to the earnings of the former. The intermediaries, like the lawyers in a protracted suit, are the sole gainers.

While consumer and producer alike disapprove of the system by which prices are swollen and quality is deteriorated (for the normal producer prefers to make a good article rather than a bad, if the conditions of exchange allow), the labourer employed in the process of manufacture and distribution is discontented. The independent man of primitive days and the journeyman of an ancient but more civilized time have become wage-earners, living often in greater material comfort but with less freedom, less interest and less equal citizenship than their forefathers. Rightly or wrongly, the great majority of manual workers to-day believe that they contribute more to the creation of wealth in mass-production than is represented by the share in the product which they receive in wages : they also desire a greater control over the conditions of their employment, above all with regard to the engagement and discharge of employees ; and finally they are " bored " with the monotony of a specialized occupation. If troubles of this nature formerly occurred, they were of minor importance in a world of small workshops in which a manual labourer could make his presence and his wishes felt, and could watch the methods and rates of purchase and sale. In the world of capitalism the discontent arising from these three unsatisfied moral and economic claims has already overthrown a great Empire and is provoking continual disorder in all industrialized countries.

Amid the complexity of economic developments the agriculturist has remained relatively unaffected and his industrial position unique. Unable to compete with the commercial forces which work against him he pays an extortionate price for all the raw material (including

borrowed money) which he requires for his domestic necessities, while usually receiving an inadequate price for his produce: he is induced to buy infertile seed and brittle machinery while the miller mixes dust in his grain and the milkman improves his purest milk with borax and water. His labourers share the general discontent, and he himself, so proud of his independence, is isolated and helpless. Money-lenders, traders, factory-owners and transport companies unite to fleece the puzzled agriculturist.

Three evils have been indicated: misjudgment of quantity, debasement of quality and labour discontent. The co-operator claims to possess a specific remedy for these. Four rival medicines shall first be mentioned.

(1) The capitalistic system may be modified, chiefly in the direction of allaying the indignation of the labourer. Sliding scales of wages, dependent either on the selling price of the finished goods or on the cost of living; trade boards to assess wages and arbitrate on conditions of work; joint boards of control in the workshop (as often in England) or for the entire industry (as recently ordained by law in Italy) composed of representatives drawn from employers and employed and sometimes reinforced by nominees of Government; distribution of a share of the annual profits to employees; conciliation and arbitration; all are advocated and experimentally adopted but none is finally effectual. Not only does the master or the shareholder take the bulk of the profit, but even if his claim be limited to a fixed amount (*i.e.*, if all shares are preference shares), the 'master' is still in ultimate authority, and so long as the capital is privately owned, the capital-owner can rule the workshop because he can close it. Labour remains dissatisfied.

Waste through misproduction calls for "organization of the market," *i.e.*, some form of monopoly; any monopolist, furnished with good commercial information, is equally fitted with any other to estimate the world's needs. The use made of this information will vary. So long as the monopoly is held by a group of private individuals, their tendency will not be to produce the

maximum which they can afford to produce, in order that their product may be cheap and attainable by all, but to offer to the buyers that quantity at that price which will secure the highest profit. Waste may be replaced by an artificial scarcity.

The abolition of shoddy is primarily a moral reform. It often pays to manufacture goods of bad quality, and the capital-owner or shareholder who is out of touch with the productive process seeks a high dividend: the old individual manufacturer was less immoral, but has been forced by competition to abandon his high standard. Until the producer is master of his work, he will not produce the best and will often be compelled to do work of which he is ashamed. Under 'capitalism' bad quality can never be eliminated: the consumer and the producer are helpless, the legislator ineffective and the shareholder indifferent.

(2) If private capitalism cannot be amended, the collectivist (the socialist as ordinarily understood) would transfer all capital and all industry to the State.

We may reasonably rely on the socialist State to give good quality, free from intentional adulteration or deceit. It will also enjoy the best commercial information and though open to error, it should be in as good a position as any group of individuals, since it can employ the best talent, to foresee the requirements of the consumers in its own country: it will also *wish* to place cheap and good articles within the reach of every man. If and when a similar international socialism is established, the same foresight and the same generosity may be universalized.

On the other hand, State management is not always prompt nor always ideally efficient: the State servant who has nothing to gain or lose is rightly precluded from running risks, he tends to fall into set habits; he cannot easily free himself from unsatisfactory subordinates. In other words, State management is not always economical, and the waste which has been expelled returns by a new door. Nor in reality is labour contented: we must visualize a State in which all are Government servants: each man's pay

depends on the State, and he unites with his fellows to safeguard his interests. Now wages are always paid from profits; the State is the capitalist and must maintain its fixed capital and save something for new works; there is a limit to economies in management; wages can then only be enhanced by raising prices, and there will be an inglorious struggle in the political arena between the various industries, each striving to push up the price of its own products in order to obtain high wages, while holding down the wages of other industries in order to buy their products cheaply. It is not conceivable that the average labourer in his industrial or his electoral capacity should be assured of receiving justice.

(3) Communism (and Bolshevism which is communism established by the cutting of throats) differs ultimately from collectivism in prescribing an approximate equality of return to all workers. The original picture of a State in which each local area or commune would be quasi-independent has become faint: it is now seen—and the Russian experiment gives further evidence—that the economic life of a country is one, and control must be in a large degree centralized. Communism therefore verges towards collectivism. Capital continues to exist in the form of machinery, land, buildings, and goods*; its ownership has been transferred from the individual to the State in the one case, and to the community in the other. In the complete form of these two social organizations the difference as to ownership of capital is negligible. The central organ of the national body possesses final authority, and must of necessity devolve a great part of its duties on local councils and industrial boards. As regards waste and adulteration therefore, the communist is similarly situated to the collectivist State. It can insist on good quality and truthful information; it should be able to measure the market. The communist will quell the *melée* of competing industrial interests, which disfigured the "socialist" State, by

* It should be remembered that capital cannot be abolished, unless the nation is to starve. Its ownership may be transferred, but capital itself must always be both maintained and (by saving) increased. Loose talk of "abolishing capital" is unmeaning.

paying all men an equal or nearly equal money wage, or if payment is made in kind, by suiting the goods provided and the conditions of life prescribed to the temper and the physical needs of the citizen. A manual labourer will be allotted a heavier diet than a brain-worker ; the latter will be entitled to a certain ease and quietude. It is not chimerical to suppose that men will eventually accept equality ; when all are educated, polite, and clean, very simple comforts will suffice for each : the desire for a superior position is largely due to a dislike of association with rude, ignorant or dirty persons. But the Russian example again proves that the high personal standard required by communism has not generally been attained : many men will not yet work heartily when the stimulus of personal gain is lacking, and the same under-production and consequent distress which were anticipated as a result of capitalistic monopoly are found to arise from a total abolition of competitive wages ; the quantity of goods produced is again ill-adjusted to the consumer's needs.

The most obstinate individualist of all is the small farmer, and even the great communist machine of Russia has failed to break down his opposition. His motives are sentimental rather than economic, for he has everything to gain by surrendering his independence. Under private capitalism he is cheated and robbed ; the amendment of capitalism by concentrating industrial power in a few hands and associating the manual labourer with the master in a joint control offers him no hope of improvement so long as he remains isolated ; he will be worse cheated and robbed than ever ; whereas if he too entered into a monopolist land trust, he could hold the world to ransom. In a " socialist " State too the farmer may be strong : though the State owns the land, the farmer grows the grain with which no man can dispense ; in the conflict of interests the food producer as elector is more competent than any to enhance the price at which the State sells his products, and thereby acquire for himself a dominant position and a high return. Yet sentiment holds him to his private ownership, and there are few collectivist farmers. To the communist he is no less hostile : he may be guaranteed

the tenure of his fields, the free supply of all agricultural requirements, and adequate food and clothing (even in times of famine), if he will give up in return the produce of his farm : but he will have nothing of it, and the Russian dictators of the (urban) proletariat have watched the land falling out of cultivation through the influence of an individualistic sentiment which has defied their power.

(4) Trade unionism as an association of persons following the same occupation has hitherto been based on the 'craft,' *i.e.*, the carpenters, blacksmiths, miners, engine drivers, engineers and all other classes of men who may be employed in a single minefield or factory have belonged each to their respective unions, the other members of which were dispersed throughout similar mines or factories. Though in this form the unions served a valuable purpose, negotiating concerning wages and conditions of labour, and providing benefits as Friendly Societies, the dispersal of the members prevents such associations from undertaking industrial functions ; they are a palliative, not a cure, for the troubles of Society.

When the association of workers is extended from the craft to the industry, or rests on a local rather than a professional basis, its spirit tends to become more aggressive, and an aspiration to replace the employer and to carry on the work of production is developed. Such a spirit pervades the industrial workers of the world, the advocates of One Big Union, and the syndicalists. Syndicalism, which had its origin in France, is now a revolutionary doctrine. It contemplates the paralysis of capitalism by means of the general strike, political action being usually regarded as ineffective ; the paralysis is only ended with the seizure of all fixed capital (machinery, land and buildings) by the manual workers, who proceed to produce without the aid of either master or shareholder. Syndicalists are divided in opinion as to the utility of preserving the political State : the anarchists among them would abolish it altogether. This division of opinion is only tolerable because the syndicalists are chiefly interested in their doctrine of expropriation and have avoided a detailed

description of the future society which they will create. It is open to them to preserve the political State and adopt communism or collectivism.

A more thoughtful account is given by the Guild Socialists, who contemplate the control of each industry by a guild including all persons employed in it, whether manual workers, clerks, technical experts, or factory managers; the guilds will meet in a congress and exercise very wide powers in industrial matters, the political Government confining itself to subjects of national importance and only negotiating with the guilds when their industrial action concerns the common welfare. Revolutionary methods are not held to be essential to the establishment of the new order.

In the syndicalist and guild socialist systems there should not be occasion for goods of bad quality; these are indeed a peculiar product of private capitalism with its methods of adulteration and advertisement. Dishonest tricks cannot face publicity, and any form of public control by the State, or quasi-public control by a congress of guilds, will soon shame them into disappearance. The producer does not *want* to make rotten goods; he does so because there is no common authority over him and his rivals which possesses the technical knowledge to detect fraud and enjoys the moral support of the nation in denouncing it. Here again if base methods of competition between nations also are to be prohibited, the ultimate solution must be sought in a super-State.

As regards waste and misproduction, the congress of guilds or the supreme council of syndicates will stand in the same position as the collectivist or communist State: the resources of the community, including the brains of a commercialized consular service, will be at its disposal, intentional overproduction will be avoided; the fear of underproduction for purposes of private gain has vanished with the ghost of the private capitalist, and in the event of error or the natural fluctuation of demand leading to unemployment the worker whose services are temporarily superfluous will continue to draw his service salary at the cost of the community.

The contentment or discontent of labour in a syndicalist society will be subject to the qualifications found applicable to collectivism and communism. Capital must be maintained and renewed: if the workers will not pull their strength, general poverty will result; if only the prospect of extorting higher wages will induce them to work, the collectivist scramble for power will be reproduced in the supreme congress or council. Capital now belonging to the producing workers, not to the State, is fully in their hands to conserve or to destroy. It has to be judged whether a syndicalist regime, issuing from a sudden revolution, will be characterized by that moderation, industrious zeal, and recognition of the claims of others, which are indispensable to economic prosperity. The industrial rulers, long trained to opposition and to negative criticism, must learn to initiate policy and to bear unjustified comment: the workers whose main thought has been to struggle against authority, will be slow to realize that they must discipline themselves; above all, it is likely that the value of brains will be underestimated.

The guild socialists present a more reasonable picture; but whereas the syndicalist is preoccupied with his destructive method, the guild socialist is immersed in the study of his perfected State: he has revealed less of his method, which is not infrequently akin to co-operation.



Chapter II.

THE CO-OPERATIVE SOLUTION.

LET us recapitulate the three evils of modern capitalism.

(1) The quantity of goods produced is ill-adjusted to the consumer's needs: at one time it is excessive through misjudgment, and there is a glut in the market; at another it is deficient through a like error or through selfish action on the part of manufacturers and speculators, who may fill their pockets while the world suffers: at all times the consumer tends to pay an excessive price, and the prime producer to receive an inadequate return, because each article passes through the hands of superfluous middlemen.

(2) The quality of goods is debased, because the producer is either dishonest or hard pressed by rivals whose honesty he distrusts. The consumer also, if he lacks credit, aggravates the trouble by buying the cheapest article without regard to its real value.

(3) Both producer and consumer are discontented: the latter through paying a high price for faked goods, and the former because he is not master of his work and believes that he does not receive a fair return.

These evils distress all men except the drone who produces nothing useful or beautiful (such persons are rare but when found should be destroyed), and the successful money-grabber, whom the co-operator hopes to eliminate. The superfluous middlemen are always in a state of uncertainty and are not really happy: the reduction of their number under a co-operative system will be gradual, and their sons will perform more useful functions. Ninety-nine per cent. of men apart from money-grabbers and drones are small men, and at least 95% are poor, in the sense that they

cannot with confidence foresee the means of their livelihood more than six months ahead. All these will gain from the removal of the three evils described, and are therefore interested in the method. The machinery of the socialist State was shown to be cumbrous and expensive: communism lacked the stimulus to labour: and syndicalism by its revolutionary conduct unsteadied the worker and left his leaders without experience of constructive action.

Every group of individuals, associated to secure a common end by joint effort, may be said to co-operate; for instance, a football team, a gang of robbers, or the shareholders of a speculative company. A century of history has given to Co-operation with a capital C a more precise meaning. It indicates the association of individuals to secure a common economic end by honest means: it is also essential in many forms of co-operation that the individuals possess a personal knowledge of one another. The characteristics have become attached to the name in the course of co-operative growth in Europe, principally in England and in Germany. They exclude the social club, the robbers, and the dividend-seeking company composed of strangers. The basis of the association is (1) voluntary, (2) democratic; voluntary because those only enter it who feel the economic need at which it aims: herein it is distinguished from a natural union such as a family, or a political or local union such as that of a nation or of the village graybeards; democratic because those who feel a real need will be small men or poor, who if only the honest are admitted, will not resent equality, will in fact meet most easily on an equal footing. Evidently if such an association can be successful in the business world, it will be morally superior to such selfish devices as cornering the market, wanton restriction of production, untrue advertisement, and adulteration of goods. It will also satisfy the workers since all are equal and no man can complain. Collectivist extravagance and routine will be eschewed, and the danger of communist idleness removed, since the members though working for their association will themselves enjoy the profits or other economic advantages. Experience and balance will be acquired, to fit for higher duties those

who rise from the ranks to be leaders : there will be no syndicalist seizure, but a slow collecting and earning of wealth.

For practical purposes the economic cycle falls into two main divisions : (1) supply and consumption, (2) production and sale. In the final analysis these operations are found to merge into one another. "Supply" is the purchase of raw material or other goods for productive use : consumption (or distribution as understood by co-operators in England) is purchase usually for domestic use. Domestic use, or consumption by persons performing a service, *e.g.*, schoolmasters and judges, is indirectly productive : and those who perform no valuable service are to be wiped out. Production is ordinarily carried on with a view to sale ; if the producer consumes the product himself, he merely stands in the position of the buyer. Association for labour is of the productive class, since a group of men who repair a road or dig a canal are engaged in production by contract.

One important type of consumption and supply is peculiar and *sui generis* : Credit in the co-operative sense is the 'supply' of money ; the association of individuals who need money, to obtain money by honest means through joint effort. It differs from other forms of supply in that the goods obtained, *i.e.* money, are not paid for, as are other supplied goods, but returned in kind and in equal or slightly larger quantity after a period of time. The money is "supplied" with a view to its consumption : but the deferring of payment, which is opposed to the principle of other co-operative proceedings, is here essential to the operation.

In all these activities the small, the poor, and the isolated man is in a weak position ; he has neither the leisure nor the skill to study the market, to know when and what to buy, when and what to sell ; he produces that which is not wanted, or cannot deliver it to the unknown consumer who wants it ; he gives his product to a middleman and buys what he requires from a middleman, at a price dictated by a middleman. He is helpless ; and most helpless of all is the small farmer who may be remote from his markets

and his consumers, and if not poor, is through the uncertainty of agricultural seasons in recurrent need of goods for which he cannot immediately pay.

There is no point in the cycle to which the co-operative theory and method may not be applied. Individuals of modest means, who need to purchase goods for either professional or domestic consumption, form a co-operative supply society in order to obtain the advantages enjoyed by men of large means; clubbing together their little contributions in a common fund, the members are able (1) to avoid the middleman and buy wholesale from the producer, (and best of all from the co-operative producer) who finds it convenient to sell his product in bulk, (2) to secure good quality by employing a skilled buyer, (3) to buy in the right market at the right time and hold the goods in stock until required by the members. They thus escape from the evils of dear goods, bad quality, and misjudgment of the market. The ideal of buying from the producer may not always be attained: the producer is he who offers the article for sale in the form in which the consumer needs it: he may be the grain-grower, the miller, or the baker: if the associated consumers obtain from him better terms than they would obtain individually, they will deal with him: but if their need is of grain or flour or bread and they cannot immediately come into touch with the maker of these things, they will as a second resource buy from a merchant middleman who handles them, again always provided that they obtain better terms than an individual.

Similarly a co-operative society of individuals for the purpose of securing the service or labour of others is a legitimate association of consumers but not always of the highest co-operative quality; for instance a society of employers for importing labour in bulk, a society of farmers who cause their ploughs and harrows to be manufactured by hired workers in a factory, or a society of consumers who cause cloth to be woven for them in their own mill. If societies of this nature have their work executed by contract, *e.g.*, farmers who give a contract for the construction or cleaning of a canal, there is nothing unco-operative in their proceedings, since it is open to a co-operative labour society to undertake the work: if on the other hand they engage

wage-earners in regular employment, they are perpetuating the system of existing capitalism and may escape from waste and adulteration but not from labour discontent. They are definitely abandoning the ideal of free co-operative producers negotiating with co-operative consumers.

The principles of co-operative supply or consumption are derived from the definition of co-operation given above. As far as possible the society should supply goods to members only, because it is an association of persons who were brought together by a common need of those goods. The members must be on an equal footing as regards voting power and other advantages. Ideally it should allow no credit, since credit involves higher prices, and the members need low prices : also credit leads to dishonest procrastination, and only honest means are to be used. There must be no dividend-hunting, since high dividends will involve sales at high prices. Consequently the ordinary supply or consumer's society gives a vote to each member, irrespective of shareholding : the share is of small amount and may be paid by instalments : profits if divided at all are paid out as a bonus on each member's purchases, the interest on shares being limited to a moderate rate ; profit on sales to non-members if allowed is not distributed to the members but carried to a common reserve fund ; and credit* is forbidden. If goods are sold to members at the prevailing market rate, they receive a proportionate benefit in the form of an annual bonus : if sales at cheap prices are preferred, no profit is distributed. The goods may be held in stock in a shop for members to purchase when they please : or may be ordered on members' indents only ; the latter method is the more economical and secure, the former more convenient, but rent and charges of supervision increase the cost.

With the exception of the drone, every man possesses the twin capacities of producer (or giver of valuable service) and consumer. In his productive capacity the man of small means enters a co-operative society of production or labour,

* Credit for professional requirements is less objectionable than credit for domestic supplies since personal extravagance is a more general failing than professional speculation.

in which he and his fellows, by uniting their efforts and their contributions, are able to collect a common fund, establish a common workshop, and if the nature of their profession permits, undertake a joint contract of work. Usually a productive society unites with its prime function the duties of supply, whether of professional or domestic requirements, or of sale of the goods produced, or both these duties together: this is a matter merely of convenience, and a single duty only may be fulfilled. Weavers may purchase their yarn in common, and weave and sell independently: or in rare cases may unite solely to maintain machinery used by all the members together or each in turn; or they may sell at a common shop the cloth which each has woven independently. Again, any of these purposes may be combined. A labour society may build a house to order, using the owner's materials: a work of production only; or may build a house and sell it, in such a case obviously supplying also their own materials. The object of such societies is to secure the advantages of (1) wholesale selling, (2) an expert to supervise their methods of production and check the quality of the product, and (3) an expert salesman who knows the market. They will thereby evade the dangers of misjudgment resulting in waste, and of bad quality: by the nature of their independent status they escape from all labour troubles.

The internal constitution of a co-operative society of production and sale resembles that of a consumers' society, the buying member being replaced by the selling member: the profit if distributed will be proportioned to the amount of goods which each member has sold to or through the society. There will be no opportunity for credit, though a partial payment is often made to members on goods delivered but not sold: the same equality of rights and duties will be observed. In one important respect, however, a society of production, sale or labour differs from a society of supply or consumption: if the members of the latter give no credit and limit the rate of interest on shares, they incur little danger by accidentally admitting a member of unworthy character: risks of faction, selfishness and even fraud may exist, but are remote: whereas in a productive society a dishonest member will without doubt cause dissen-

sion and loss by unsatisfactory work, unpunctuality, and disloyalty. The honesty of each member should be a fact of which his fellows are personally sure.

Co-operative credit, of which only a passing mention has yet been made, is nevertheless to many poor men and to nearly all agriculturists the most important of co-operative activities; it lies outside the economic cycle proper, the cycle of exchange, yet it is the preparation of the poor man for a free economic life, the foundation on which his co-operative future may be built up. The credit society aims at the supply of money to the members : that which is a means in the society of production or consumption is here itself the end, without the attainment of which those societies will often be useless. Credit involves the incurring of debt. In this there is no essential evil : the evil lies in incurring needless debt, *i.e.*, for unnecessary or unproductive purposes. Debt incurred for a profitable purpose is of high value, and there are perhaps as many simple people in the world who suffer loss through not borrowing enough money, or not being able to borrow it on reasonable terms for productive work, as there are foolish persons who borrow money extravagantly and unprofitably. Unproductive debt is incurred by uneducated and untrained men, because they know no better : so long as they have property to lose, many money-lenders, or merchants who sell to them on running account, are willing to lend without inquiring into the purpose of the loan, are in fact delighted to see the debt mount up ; often they desire nothing less than a repayment of the principal and are content to live on the interest while keeping the debtor just alive and in despair. In this depressed condition the poor and uneducated man, ignorant of the cause of his trouble and hopeless of escape, becomes dishonest and demoralized. The small farmer in particular is exposed to the perils of credit : his labours give him a return not weekly or monthly, but after an interval of at least six months, and in the event of bad harvests, after a year or more. He seldom keeps accounts and is slow to adopt new methods or act on skilled advice.

The co-operative credit society is an association of persons of small or moderate means, who from time to time

need money for necessary or productive purposes and who in isolation cannot obtain it on reasonable terms. They may or may not contribute small shares to a common fund : broadly speaking, in most countries agriculturists do not, and non-agriculturists do, make such contributions on an appreciable scale. The prime object of their association is jointly to obtain credit, *i.e.*, to be able to borrow as a society, and then to give credit to one another in the use of the money borrowed. The type of credit society now found in every civilized country except those which speak English, is based on principles enunciated by Raiffeisen and Schulze-Delitzsch in Germany in the middle of the nineteenth century. Experimental societies founded by Raiffeisen in peasant villages and by Schulze among the artisan and agricultural classes of the towns were successful after a hard struggle against poverty and bureaucratic opposition, and by their example great organizations of co-operative credit have been developed which are the support and the refuge of honest men. The agricultural society follows Raiffeisen more closely, the urban classes sometimes find the Schulze system more congenial.

The foundation of the Raiffeisen Society is the mutual knowledge and the personal honesty of the members. Further principles are the following : loans may be made to members only ; loans must be for productive purposes ; repayments, whether in one sum or in instalments, must be punctual ; the liability of members for the debts of the society is unlimited ; profit is undivided and indivisible ; deposits derived from the thrift of members are accepted and encouraged ; the officers of the society work gratuitously ; and the constitution is democratic. No single one of these principles is new : each of them was known to pre-existing thrift or benefit societies or to commercial associations ; the novelty lies in the combination of them all, and in the stress laid on the moral rules. The selection of honest men was not new ; a business man always prefers an honest partner ; what had not been realized was that a large number of small men if honest could effectively form a business partnership, and that the credit of such individuals in union would be infinitely greater than in isolation. The members are jointly liable for the debts of the society, and

the profits accumulate in a reserve fund : a creditor may assume that even if one or two members are unwilling to repay, all will not simultaneously be dishonest : the society as a whole will be willing to make good his deposit or loan, and though all the members may be poor their collective poverty will be equal to the value of his dues.

When co-operation first entered the field, limited liability was unknown : its introduction in the latter half of the nineteenth century led many societies of credit, including the Schulze class, to adopt this apparently less perilous constitution. The strict Raiffeisen rule has also been set aside in those societies which demand a comparatively large share contribution, and are sometimes so ill-advised as to pay a high dividend on shares. It is perhaps not unwise to extend the object of loans to cover all necessary purposes, even though not directly productive, but the payment of high salaries to the staff and of attendance fees to the directors is calculated to pervert the spirit of a credit society. In a society of consumption or production which is engaged in commercial operations, and in which no credit is allowed, there is no objection to reasonable fees, and a highly paid staff may be essential : societies of this description naturally choose limited liability ; unlimited liability is possible only in a very restricted area in which mutual acquaintance is intimate ; commercial societies frequently draw their membership from a wider circle.

The capitalistic evils of waste, adulteration, and discontent take in the sphere of credit the forms of usury, extravagance and despair. The credit society meets and overcomes them by providing loans at a fair rate of interest, loans for useful purposes, and an equal status for each member, however poor, whereby he may share in the government of his society, electing the officers and directors and being himself eligible for election : all alike support any loss that may occur through misfortune or dishonesty, all share in the increase of security and the lowering of interest which is derived from the accumulation of a reserve and the growing sense of unity among the associates. For all gain and loss the co-operator has no man but himself and his fellow-members to blame or thank.

Chapter III.

THE EXAMPLE OF ENGLAND.

CO-OPERATION for consumption and supply has made its greatest progress in England, in the forms of the co-operative store (known as the distributive society) and the society of agricultural supply. The store follows the method adopted by the Rochdale Pioneers' Society in 1844, selling goods at the prevailing market rate, and paying out the excess above cost price and expenses, after a deduction made for the benefit of the reserve fund, in the shape of a bonus on purchases. Non-members, and new members who have not completed their share contribution, find it made good by the addition of this bonus to their share account. The store was not unknown before 1844, but selling at cheap rates it was exposed to continual unjustified criticism by members and excited the hostility of rival traders; it was usually short lived. The Rochdale system has proved so successful that in 1919 the 1,459 primary societies (which included about 50 genuine producers' societies) reporting to the Co-operative Union Limited of Manchester had over 4 million members and a capital of £77,000,000, with a sale account of £210 millions. The members are chiefly manual labourers in regular employment, with a certain number of clerks and shop assistants: the casual labourer cannot afford to pay cash as required by the rules, the prosperous man is either unfriendly or indifferent to the movement or demands a more expensive class of goods than those offered. The wholesale societies of England and Scotland, and the Irish (agricultural) wholesale, had over 2,000 societies as members, and sold goods to the value of £115 millions. The majority of these stores are affiliated to the Co-operative Union of Manchester, which acts as guide and organizer to the movement, but does not trade.

This branch of the co-operative movement in England is the most vigorous and progressive : the total of societies is being gradually reduced by fusion, and it is probable that all the societies will eventually be amalgamated into a very limited number or into one national society. A Co-operative Congress is held every year, a political co-operative party has been founded, and the consumers are moving ever nearer to an alliance with the labour party. Co-operative development in England deserves the close attention of Indian observers as evidence of the tendencies inherent in all economic class movements : if they are not to be professedly anarchic, they become partisan, finding in politics a greater opportunity for achieving their ends but losing to some extent the original spirit which caused those ends to be desired. The English consumers, depending more and more on their wholesale society for supplies, are drifting into a position in which they will find themselves collectivists before they realize it. A national society of co-operative consumers, following out the present policy of the wholesales, and manufacturing goods in its own factories by means of wage-earning labourers, will be the greatest capitalist in the country. It will be able to produce cheaply and save the pockets of its members ; there is no reason why it should not continue to improve the quality of its goods, on which unfavourable comment is sometimes made : but it will in no sense be mitigating or removing the discontent of labour. The associated consumers as capitalist owners of a factory are as unwelcome to their wage-earning labourers as any other capitalist : strikes of employees in co-operative establishments are by no means unknown, and are likely to increase as the productive branch of the consumers' business is extended. The struggle of capital and labour will be as intense as ever : it is no consolation to a wage-earner who is demanding a higher wage and more control over the conditions of his work, to remember that in virtue of his insufficient wage he and many other consumers will buy his products more cheaply : his first interest is in his wage. Moreover, if the productive organization of the consumers swallows up its rivals or at least exceeds them all in magnitude, the constant interference of the State will be inevitable, and the weighing of votes against wages,

which is the besetting sin of State employees as electors, will be as general as in a pure collectivism.

If the English distributive societies are tainted with master-capitalism of the old school, some of the agricultural supply societies are showing signs of a similar evil. Agricultural supply has been promoted during the last twenty years by the Agricultural Organisation Society of London ; a number of the smaller societies are pure in their theory and practice, buying agricultural and domestic requirements for their members, insisting on cash payment and gratuitous service, and though based on limited liability yet maintaining an equality of voting power and confining their membership within a narrow local radius : their weakness lies in the lack of business methods and of organization. The large societies, on the other hand, may be only too businesslike : credit is allowed to buyers, votes are sometimes proportioned to share capital, and either members may be admitted from a distance at which personal acquaintance is impossible, or a large business may be done with non-members. In addition to this, the establishment of mills for crushing grain, etc., points to a possible danger from the " master " spirit. In the ideal co-operative commonwealth, a mill should be owned by those who work in it, not by those who buy the product.

These criticisms should not be regarded as a condemnation of the English consumers' movement : the defects to which reference has been made are by no means universal ; the co-operative stores of England have conferred enormous benefit on their members and indicated a road for the poorer classes of every country. The supply societies are freeing the farmer from the tyranny of fraudulent and extortionate merchants, and rendering it practicable to settle a new peasant population on the land. The object of criticism is to point out to Indians where a movement, starting from admitted principles, has intentionally or unintentionally diverged from them. If the consumers, by their economical methods of purchase and their insistence on pure and good material, teach us how the interests of the buyer may be protected, their capitalistic workshops and their laxity as to

credit and membership are a warning that the delicate spirit of co-operation is easily lost in the rough business world.

Co-operative credit in England is now practically unknown, whether through a difference of temperament or of circumstances. Credit societies in all English-speaking countries have proved unacceptable: even in Ireland, which alone among such countries has a peasant population, they are giving place to sale or supply societies. It should not be supposed that a peasant population such as that of India is poorer, if regard be had to the cost of living, than was that of Germany, Ireland, or Italy a generation or two ago: the poverty, the illiteracy, and the debt were as appalling in Europe as anywhere in the world. But the credit society is the first step in the upward path, the societies of production or consumption occupy the heights*, and the older European countries are now rising above the urgent need of credit and relegating it to a minor position.

The productive society in England has been overshadowed and perhaps in consequence neglected: the early growth of trade unions entertained the industrial worker with thoughts of improving his position under the capitalist: attempts to replace him by independent production were ill-supported, and the competition of organized capital was strong. There are now only about fifty true societies of workers' production, centred round a federation at Leicester and manufacturing principally footwear and clothing. They are not unprosperous but remain too weak to create a great co-operative movement: in a land of large industry only a large capital can support an industrial undertaking, and since the consumers are spending their very considerable savings in the acquisition of workshops and factories to be managed on the old capitalistic system, they are rivals of the true producers and will seldom give them help. If ever a movement of workers' production gains strength in England, it will be through the guild socialists. Building guilds have sprung up in the last three years, of which the members are simple workmen, electing their own

* So much so that some European countries omit Credit Societies from their co-operative statistics.

leaders and foremen ; they are in effect co-operative societies of labour, and have executed satisfactorily a number of building contracts on behalf of public bodies and private persons. If payment be made on a running bill, the trade of building "to order" does not require a large capital. On these lines a certain advance may be made, but the enterprise of founding or buying large establishments is impossible for the associated producers unless either they receive State assistance or serve a long and weary apprenticeship while collecting their funds. They will not be willing to wait for a generation or more, since their class consciousness has been awakened and they expect a speedier remedy : nor does it appear probable that the guildsmen or co-operators will demand, or the British Government as at present constituted will offer, State loans to finance new productive undertakings. The political and economic pressure on the "master" and the shareholder by means of votes and strikes will perhaps lead in the first place to a joint control of industrial establishments, and eventually to their transfer into the hands of either syndicalist unions or socialist guilds. These will obviously come into immediate conflict with the capitalistic factories of the consumers. Assuming that the consumers, not less than other capitalists, are then compelled to transfer their productive factories to the producers, the community will be organized in two great co-operative bodies ; for the guild constitution cannot be other than co-operatively democratic : the managing and technical staff will be members of the producers' organizations, and the original owners of the capital, if not either expropriated or paid off by State loans, will receive a fixed and guaranteed interest which confers no right to a share in the control.

It is profitable to examine the most suggestive co-operative tendencies in order to foresee the possible developments of the movement : it does not follow that the same course will be followed in India or the same results attained. If the co-operative consumers in England and Wales have now 4 million members, *i.e.*, are wholly or partially supplying about half the households in those countries, and are still making rapid progress, their future calls for careful study

and guidance : their present direction will lead them towards a disappointing collectivism, in which a consumers' trust will be faced by angry trade unions ; there is not much hope of a natural growth of true productive societies, for which capital is not forthcoming ; the counterbalance to the consumers must be provided by the violence of syndicalists or the strategy of guild socialists, and it is legitimate to picture a co-operative commonwealth in which all, or nearly all, goods for consumption will be co-operatively supplied, while the producers (in the broadest sense, covering all persons who practise a useful profession or cultivate a noble art) will manage their own affairs in professional guilds which will in effect be co-operative societies : the name is of no importance, since the term 'co-operative' is in ordinary English parlance applied only to consumers' stores.

Neither the abolition of private property nor an intolerable interference in its management is involved in this conversion of factories and shops under the ownership of masters and shareholders into factories and shops owned by the workers. The agriculturist in particular will not lose his land, though he may be compelled to cultivate it in ways profitable to the community. If the unfortunate quarrel between the two great co-operative branches of the stores and the agricultural supply societies can be composed, he will supply himself with all that he needs for his farming and his domestic use from a single consumers' society : he will sell all his produce through a society of production and sale, either to foreign countries or to a co-operative society in his own country, he will be master of his land and, within wide limits, judge of his methods. He will also be one of the masters in his co-operative societies.

The outstanding features of English co-operation which should be marked by Indian observers are : (1) the excessive predominance of the urban consumers, who despite the excellence of their business methods and the undoubted pecuniary benefits which they confer on members are yet over-centralized, distressingly materialistic, and unfavourable to the free producer : and (2) the disorganization caused in the sphere of rural supply by the magnitude

of the primary county societies, which are forced by the burden of their own fabric to attract capital and custom from all sources: they disregard the truly co-operative Organization Society and deny to it the full quota of subscriptions which alone can give it strength to co-ordinate the agricultural movement.

It should further be remarked that alone among European countries the United Kingdom enjoys the services of a Registrar and his assistants: these officers though stationary and without any important power of initiative for guiding co-operators, guarantee a high standard of accurate accountancy by insistence on annual returns, registration of amendments etc., and are able to eliminate the most obvious dangers of fraud and misrepresentation. The lack of such an officer is a serious detriment to Italy.



Chapter IV.

THE EXAMPLE OF ITALY.

THE national history and temperament of Italy resembling those of India in many respects, present an analogy which should be carefully considered by the social student.

Co-operation in Italy is of later growth than in England, and has been exposed to influences which have moulded it on different lines. The smaller area of farms and the less advanced industrialisation of the towns provoked a greater need for credit among agriculturists and artisans. Banking facilities were not abundant, the money-lender was more ubiquitous and rapacious, and the competition of large industry less overwhelming. The Schulze-Delitzsch societies therefore, which were introduced with certain modifications as Popular Banks by Luzzatti in 1865, and the Raiffeisen societies first started by Wollemborg in 1883, found scope for their activity in the urban and rural areas respectively. The urban societies while remaining few in number have acquired wealth and independence; they finance both townsmen and countrymen, more frequently the former, and while conferring notable benefits on trustworthy borrowers they are compelled by the great scale of their business to abandon the strictly co-operative ideals of mutual knowledge among the members and a really democratic control over management. The majority of the Popular Banks however have retained their co-operative character so far as circumstances permit and are a valuable economic asset. The Wollemborg Societies in the villages follow the Raiffeisen principles previously described and are now some thousands in number. Co-operation in Italy is split up into the three political branches of Catholics, Socialists, and

liberals. The rural credit societies are predominantly Catholic but the Popular Banks have no political attachment. The Italian money-lender of thirty years ago resembled the money-lending graindealer of the Indian village in performing a function indispensable until he could be replaced, and in depressing and degrading the peasant and artisan by his shameless extortions and his antipathy to thrift. He lingers still in remote districts, but the credit society has reformed or abolished him in most parts of Northern Italy and is attacking his strongholds in the islands and the South.

With the exception of their threefold political division, the societies of consumption and supply are similar in general to those of England; many of them sell goods to members at a price lower than the market as in India, instead of following the Rochdale rule of sale at market price. The Italian law, which in some cases restricts the rate of dividend, hampers the Rochdale system. The wholesale society is far weaker than that of England, and broadly speaking, neither the wholesale nor the primary societies of consumption engage in large productive undertakings: they are consequently free from criticism on the ground of perpetuating the wage system. The supply societies (in Italy called agricultural purchase) are as vulnerable on this point as those of England. The federations are less powerful, and the business efficiency less perfect, than in Manchester and London; nevertheless the Italian societies of consumption and supply do provide their members with good quality at reasonable prices; they also forbear to provoke the hostility of producers by imitating the vices of capitalism, yet it must be admitted that certain of their leaders long for a financial strength which will enable them to do so.

The co-operative distinction of Italy resides in her societies of industrial and agricultural production, labour, and sale which have flourished to a degree nowhere equalled and are cordially supported by the State. The trade union, which was mentioned as preoccupying the mind of the British labourer with questions of wages and conditions, is

a less congenial form of organization to the Italian : the enthusiasms of the Latin are intense but not always abiding, and he will not submit to the discipline which earns success for a union strike. On the other hand, he loves independence in his daily life, and like the Indian will often sacrifice an immediate profit for leisure or a whim, while content to work long hours in compensation for this freedom. He lives in the land of the mediaeval guilds, and regards himself as a craftsman rather than a "hand". Guided by this temperament, he forms labour societies or productive societies in great numbers, and by his influence as an elector he induces the Government to favour and finance his proceedings. Preference in various ways is accorded by law to co-operative societies of labour or agriculture which compete in auction for public contracts of construction or supply, and an imposing National Institute of Credit for Co-operation, established in Rome in 1913, now holds three-quarters of its funds from the State, chiefly in the form of loans. In virtue of its close interest in the prosperity of the Institute the Italian Government nominates a majority of the directors. Special institutions of credit have been created by law or decree in most of the Central and Southern provinces, and the banks of Naples and Sicily are required to support all descriptions of co-operative societies within their area, so long as they are financially sound. Provincial Committees and a National Committee, formed of officials and non-officials, watch over the interests of co-operation at large, and verify the stability and the genuineness of societies undertaking public works.

Strengthened by this favour, the societies of production and labour have built up federations in numerous provinces ; the socialists and Catholics have created national federations, and the liberals are preparing to do the same. In the more progressive provinces of North Italy, contracts are habitually given by the National and Provincial Governments and by local authorities to such societies, in so much that in Reggio and one or two other districts of the Emilia the appearance of a private contractor is rapidly becoming a matter of curiosity. The federations also undertake contracts on behalf of their

affiliated societies, co-ordinating the work of the specialized trades which collaborate in building, road making etc.; a few federations admit individuals also to membership, and even enter into competition with the primary societies which they seek to reduce to the position of local committees. Financial aid is also granted by local authorities, by co-operative organs such as the Milan Institute of Credit, and by the powerful popular banks; the influence of the consumers' societies is not exerted in opposition to such advances, since the consumers, not being manufacturers themselves as in England, have everything to gain from the multiplication of producers' societies: the buyer and the seller societies will no doubt argue the terms on which they are to do business together, but when the accounts of both parties are public and both are sharers in a single movement and perhaps in the same federation, it is not found impossible to reconcile their points of view.

The Italian craftsman forms his "co-partner" societies of production, and makes boots, furniture, electric light bulbs, and aeroplanes; the labourer through his labour society takes contracts for unskilled work. The two branches are now uniting for greater enterprises in which skilled and unskilled men are employed side by side. Iron mining and sulphur mining, ship-building and outfitting, with every branch of the metal trade involved, are now carried on by associated working producers on the scale of great industry. Co-operative production is discovering new powers from day to day; it is encouraged by the three political parties, and successive Governments vie in its promotion. It may reasonably be anticipated that within a generation the co-operative producers of Italy will transform the economic organization of their country. The "captain of industry" who survives will be forced by political pressure to surrender to his employees a share in the control of their factory—a Bill to this effect has already been passed by the Italian Parliament—and the contractor and small capitalist master will disappear altogether, leaving the co-operators in possession of the field.

On the agricultural side the peasant owner who uses no regular labour save his own and that of his family is main-

taining his position with the help of credit, supply, and sale societies ; this class of landowners shows no signs of weakening. The tenant-farmer, who corresponds to the small craftsman in the industrial sphere, since like the craftsman he does not command an adequate independent capital, is not only using the co-operative facilities available to the peasant-owner, but is hastening to set up co-operative societies of agriculture in the strict sense, which lease an estate for a term of years from an individual landowner or from a religious or public body, and partition it among themselves for cultivation. The contractor to whom the landowner formerly gave his estate, and who rack-rented the tenants while obtaining a poor return through superficial cultivation, is replaced by the society of tenants charging themselves a rent only so much higher than the sum of the landowner's dues, as is needed for the expenses of the society itself. The contractor's profit is saved by the members. Moreover, their lease is for a term of years ; consequently they will improve the land and practise intensive culture to their own and their country's advantage.

Parallel with the labour society which carries out contracts is the "unitary" society of agriculture preferred by the socialists to the tenant-farmer or "divided" type. Agricultural labourers, and town-workers who cannot find employment, are collected by their socialist leaders into agricultural societies which, instead of cutting up the leased estate into small holdings, farm it under a single technical manager : there are varieties of land and of cultivation, in which capital and expert knowledge are required, to which this tenure is well adapted from the point of view of agricultural outturn, and the crop figures illustrating the difference between an estate worked by an unitary society and the same estate under a "business" contractor almost surpass belief : the society claims to support more men and more animals on the land, while obtaining an output of perhaps 500 to 1,000 per cent. above that of the middleman. On the other hand, it will be justifiable to declare *a priori* that the cultivator will only under compulsion accept a condition of permanent subordination or even partnership in the land : every cultivator wishes to own his little

plot, as the Bolshevik Government has found to its cost. The unitary system in Italy flourishes where socialist doctrine is accepted and unemployment is widely prevalent : the labourers are accustomed to admit the evils of private property, which they have seldom hoped to acquire : they are also in continual fear of distress through lack of employment and must earn their bread by any means offered to them. Though the agricultural advantages of a centralized control may be regarded as proved, and the social advantages are stoutly maintained by a large political party, the labourer is not yet ready to forgo the hope of becoming an independent farmer while such hope remains. The Catholic farms are all divided among the members of societies, and many of the socialists are obliged to acquiesce in this system which they regard as unsound. The unitary societies stand out as a model of agricultural progress to the tenant societies and may by example shame them into adopting improved methods and materials under a really expert adviser.

The societies of agriculture enjoy the privileges accorded by law to the societies of production and labour : not infrequently a society combines both these capacities. The necessity of settling returned soldiers has recently inspired the Italian Government to order the voluntary or forcible transfer of suitable estates to the agricultural co-operators, and the process will undoubtedly be continued until the lands of public and religious bodies and of many private persons are leased or sold to small holders. The agricultural co-operator in Italy, however, is a peasant, whereas his fellow in England is usually a small employer of labour with a certain capital : much of the richest and the poorest soil is not adapted to peasant cultivation, and its transfer would be ill-advised until the peasant can command capital ; he may secure capital by entering a unitary society, which he will be reluctant to do, or by borrowing from Government or from co-operative banks. Neither of these will lend to him until the societies of agriculture are more definitely proved : the earliest lease dates from 1886, and all notable growth is of the last fifteen years. The soil of Italy will not be in co-operative hands for a generation or two.

The Indian reader will mark in Italy three features :

(1) Disorganization in every direction : inspection is rare and lacking in thoroughness, federation is weak and incomplete. There is no Registrar, and annual returns are in many cases a work of imagination.

(2) The disease of political and religious strife has eaten deep into the fibre of co-operation : overlapping societies, sectarian decisions, and political log-rolling are frequent and pernicious.

(3) There is a genuine and widespread enthusiasm for co-operation as the way to freedom ; not the right to vote for a friend and abuse an enemy , which is often the meaning of political freedom ; but a real liberty for a man to control his daily work and to submit himself and his fellows to a discipline such as he and they in conference hold to be necessary and sufficient.



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Chapter V.

THE CO-OPERATIVE MOVEMENT IN INDIA.

THE simplest form in which the co-operative method may be understood by the mind of an illiterate or ignorant person is that of co-operative credit; this moreover is the easiest to introduce among a rural population habituated to independent action and incredulous of new ideas. An uneducated peasantry without the support of co-operation is inevitably indebted, since the farmer always needs credit and his income from which to repay his debts is uncertain and fluctuating. The Indian Government first attempted to meet the evil by the Land Improvement Loans Act and the Agriculturists' Loans Act, whereby State funds at reasonable interest were advanced to cultivators on the security of their land or their tenant right. Agricultural banks, *i.e.*, mortgage banks which would deal directly with the individual cultivator, were projected and discussed; no scheme of this kind reached maturity, and it may confidently be stated that the Indian peasant only too often lacks the foresight and the material security which must form the basis of a successful mortgage loan made to an individual by an institution which he and his fellows do not responsibly control. The tendency in fact of recent years has been to restrict the right of encumbering or alienating agricultural land held by members of the cultivating tribes, the most important legislative measure of this nature being the Land Alienation Act of the Punjab passed in 1900. Restriction of the right to alienate his most valuable security reduces the credit of the cultivator with the money-lender and the trader, and forces up the rate of interest; it is therefore essential to provide other means of credit if the agriculturist is to be financed and is to face bad harvests. The unsuitability of agricultural banks for financing

peasants has been sufficiently proved by the Agricultural Bank of Egypt, in which the borrower has no share of responsibility, with the result that a high percentage of its loans are habitually overdue and a certain proportion may be irrecoverable. If cheap money is offered to an uneducated peasant without close control, he will almost invariably accept it with little regard to the necessity of repayment. Sufficient for the day is the opportunity thereof. On the other hand, the loans from Government known in India as *takavi* (under the Land Improvement and the Agriculturists' Loans Acts), though supported by adequate security, are distributed and collected by the agency of the revenue staff, a process from which harassment and extortion are not easily separable.

The real impulse towards the co-operative method was given by Sir F. Nicholson's report of 1895-97, in which, after studying the movement in Europe on behalf of the Madras Government, he advocated the introduction of co-operative credit societies similar to those founded in Germany by Raiffeisen. Experiments were made by various officials, including Sir E. Maclagan and Captain Crosthwaite in the Punjab, Mr. Dupernex in the United Provinces, and Mr. Lyon in Bengal, with varying success and on a limited basis of experience. A committee having criticised these efforts on behalf of the Government of India, the Co-operative Credit Societies Act was passed in 1904. This Act very rightly directed attention towards the provision of credit, both in the town and the country, while leaving a loophole only for the entry of more advanced types of society. A Registrar was to be appointed in each province, with the duties of registration, audit and liquidation. It was in general assumed that the organization and guidance of societies after the experimental stage would be carried out by local enthusiasts, and no provision was made for an official staff of subordinates.

A rapid advance took place and the opposition of the interested money-lender who in Indian villages is usually also a grain dealer, was overcome with notable success. Non-official workers, however, were not found in all provinces,

nor were their proceedings sufficiently businesslike and their knowledge sufficiently scientific, to justify the Registrars in handing over to them the sole control over an organization and a volume of capital which exceeded the expectation of the earlier propagandists. An official staff of inspectors and auditors was gradually collected, working side by side with non-officials, and the number of registered societies had risen in 1912 to over 8,000, when the first Act was replaced by the Co-operative Societies Act passed in that year. The new Act, as shown by its name, contemplated the extension of co-operative activity to more complex forms : secondary bodies, *i.e.*, central banks and unions intended to finance, supervise, or co-ordinate the primary societies, had only been registered as it were on sufferance under an Act directed towards the creation of "village banks." They were now expressly recognised. Provision was also made for the registration of all societies aiming at the promotion of the economic interests of their members, *i.e.*, for societies dealing not only with credit but also with purchase and sale, insurance, and the various specialised functions carried out by the most recent types. The Registrar was authorized to depute other persons to audit societies, the number in each province being now far beyond the capacity of a single officer, and the clause of the earlier Act which prohibited the levying of an audit fee was omitted. From these changes it is apparent that the necessity of an adequate staff for audit had been grasped (the collapse of numerous joint stock banks in 1912 contributed towards this impression) but that on the other hand it was not considered inevitable that the auditors should always be servants of Government or directly paid by Government.

The annual return of co-operative societies for 1920-21 showed a total of over 47,000 in all India, of which 4,000 were in four Indian States : societies exist also in other States not included in the return, but the varying standard of audit and of co-operative education renders it difficult to describe these in general terms. The number of societies in British India alone at the time of writing will be about 50,000, of which 90% are primary agricultural societies, 7% non-agricultural, and 3% are central banks, unions, and other

secondary institutions. Less than 1,000 of the primary agricultural societies are formed for other purposes than credit; on the other hand, a growing number of credit societies carry on functions of purchase and sale as a subsidiary branch of business. No surprise need be felt at the predominance of the credit society: as already pointed out, credit is the simplest example of co-operative methods to introduce among illiterate peasants, and until the burden of debt, which crushes the life and thought of the Indian countryside is lightened, it is useless to look for either individual enterprise or mutual aid among the sufferers. The attention of co-operators has therefore wisely been given to the struggle against usury and improvidence, each the cause and the effect of the other. The curse of the Indian village is selfishness and faction: the reason for these vices is that no man can find a common ground on which to develop his altruistic qualities: the old council of elders, often pictured as a meeting of saintly sages, has disappeared, and the individual is face to face with the tax-collector, the money-lender, and his litigious neighbour. He lives for the moment, and never more narrowly than when he hoards his savings in a hole or converts them into alloyed ornaments for his women. Bad harvests and extravagant expenditure on domestic ceremonies drive him to the usurer, who welcomes the opportunity of investing his funds in the entanglement of an industrious and uncalculating cultivator. Once enmeshed the peasant soon finds that he has no hope of escape: he accepts his fate, spends money when it comes to hand (which the usurer seldom permits it to do) and becomes indifferent to the fate of his fellows. His grain, his clothing, often his oxen, are bought from the same tyrant at the moment of need: his entire produce is handed over at harvest without hesitation. In neither case can the debtor afford to question the price or the quality offered to him. There are here the three evils described in our original analysis: waste, shoddy, and discontent. Until the peasant is freed from debt, his case is hopeless: he cannot be freed by cheap loans from the State or a commercial or philanthropic institution, for he has lost all habits of punctuality and foresight; the only social influence which he acknowledges is that of the village brotherhood, inchoate

as it has now become, and since no credit without control is other than perilous for him, while official control is enervating and petty staff is frequently corrupt, the brotherhood of the village, or the selected honest and intelligent members of the community, must be the authority to grant, refuse, and supervise the dangerous boon of cheaper money with which salvation from the usurer is to be won. Only when the peasant has shaken off the despair with which he sees his debit balance accumulating in the sahukar's books, and realizes that a change is *possible*, is it practicable to incite him towards better cultivation, cleaner living and a higher understanding.

So soon as the credit society has made evident the advantages of common action and the absolute necessity of being both punctual and thrifty, the peasant progresses towards joint purchase of agricultural requirements or domestic supplies, and the joint sale of his produce. For the former he may in appearance pay no less; for the latter he may perhaps seem to secure no better price; but he will obtain better quality and will be free from shoddy when he buys, he will receive fairer treatment, honest weights, and a regular market when he sells. In India at all events he usually gains in the price itself. Not only, moreover, does he examine the price and the quality of his goods: he considers further his own fitness as a man of business and the remoter causes of his economic weakness. The benefits of education for himself and his children are realized: the futility of litigation—the last resource of the bored man—is depicted to him by the figures of his loan account and the cold looks of his managing committee; and when the confidence of the public in his society has been acquired, he begins to accumulate a small fund of savings by deposits. Incidentally, and often after a somewhat advanced co-operative training—he turns towards the insurance of himself and his family, his cattle, his crops, and his dwelling place.

This account endeavours to make clear that the credit society is the foundation of the co-operative building in a peasant community, and that the concentration of effort in India on co-operative credit is neither disproportionate nor

ill-advised. So powerful has this section of the movement become that it advances now by its own momentum, and the genius of the leaders, official and non-official, is principally employed in adapting to Indian conditions the various more specialized models which European co-operators have invented. House building, garden settlements, and the use of mechanical power in the towns, labour contracts, joint farming, and communal irrigation in the country, are among the newer undertakings which have yet to prove themselves successful in other than exceptional instances. The development of co-operation in Indian towns has naturally been slow : the towns are relatively few in number, public opinion is less effective, and the townsman himself though intellectually agile is less open to the moral appeal which alone can justify and support a true credit society, than is the slow but unsophisticated countryman. Of recent years something has been done to remedy this neglect ; among the artisan classes, particularly the weavers, societies of purchase, production and sale have made an irregular but appreciable headway, while credit societies, frequently with limited liability, have been multiplied among the professional and trading classes as well as among office employees. Such middle-class societies have in a fair number of instances attained a considerable size and importance.

There is no room to doubt that the existence of a Registrar, whose function is to guarantee that a society complies with the law and maintains a minimum of efficient accountancy and co-operative spirit, is of value in a country in which the habit of businesslike accuracy is not at present widely prevalent. It may hereafter be feasible to confine him to the formal duties imposed by the Act, *viz.* registration, audit, inspection and inquiry at the request of a party concerned or in special cases of his own motion, and liquidation : his position will then be generally analogous to that of a Registrar of joint-stock companies, and since the audit would no doubt be in the hands of co-operative organizations created for the purpose, the Registrar would perhaps grant and revoke auditors' certificates, exercising powers of examination before the grant and of periodical "superaudit" thereafter in order to check the continued efficiency of his

licensees. His share in the control of their proceedings from day to day would be comparatively small, and the official staff needed to assist him would be small also. In the meanwhile until education is more general, the procedure of Indian business more exact, and the profession of chartered accountants well established, it would be excessively risky to transfer to a solely non-official organization the management and check of co-operative audit. In the majority of provinces a dual control at present exists, and operates with varying efficiency. The MacLagan Committee on Co-operation in 1915 recommended that an official staff for the purposes of higher supervision and supraudit be maintained on the scale of a gazetted officer for 1,000 societies, and a subordinate for 200 societies, the figure being in each case a maximum : the tendency of late in certain provinces has been to allow a margin above this standard for the purpose of propaganda and co-operative education, but as the number of societies increases and the area under each officer is contracted, it becomes possible to accept the scale suggested by the Committee. In the future a reduction may be effected, but to reduce the supervision by experts before the average co-operator is an educated man is to invite disaster. The trained staff during the period of rapid co-operative growth from 1910 to 1913 was inadequate, and the hasty registration or subsequent neglect of societies, which resulted from the lack of sound teachers, created a confusion which several provinces found embarrassing for many years and which one province at least has not yet cleared away.

Unofficial assistance has taken two forms : the unpaid propagandist in the first place, though nowhere entirely lacking, is most abundant and particularly valuable in the Bombay Presidency where he is willing to use his education for the benefit of the villager or of the town artisan and is able to command their confidence. The Bombay Co-operative Institute devotes its energies to the promotion of co-operative knowledge and the instruction of unofficial staff ; it also conducts an excellent quarterly journal. In Bengal also a co-operative organization society is similarly and usefully employed, but in Bengal, Bihar and Orissa and the United Provinces it may be suggested that the educated

organizer, however strenuous and able, appears to be less assured of the poor man's confidence : he may be of the landlord class and hence suspect, or may be a director or employee of a financing institution and be in consequence regarded as imperfectly disinterested. In the Punjab and the Central Provinces, on the other hand, the townsman is guilty of little practical interest in the welfare of his poorer brethren : the few exceptions to this rule are the more praiseworthy. Where town and country are thus divorced from one another, the country must save itself, and the Punjab is finding among its smaller landowners a class of intelligent leaders whose vigour and sympathy more than atone for any defects in literary or mathematical skill.

Secondly, the non-official auditor, whether in the earlier stages appointed by the Registrar and paid from an audit fund raised by a levy on the annual profits or the working capital of societies, or, as an advance towards independence is made, licensed by the Registrar and paid and controlled by a provincial union, is the most hopeful outcome of official efforts : he is ordinarily a resident of the area in which he works, and himself of similar origin and mental position to those whose proceedings he examines ; at times he is selected from among the secretaries of village societies, and promotion to the ranks of official inspectors is open to him. The audit of primary societies in all provinces is being more and more entrusted to such non-official workers, who devote their spare time also to propaganda and general supervision : they are in nearly all cases forbidden to handle the money of societies, and being without official or executive authority have proved themselves a conspicuously upright body of men : their accuracy leaves something to seek, and only a few are at present equal to the audit of a secondary or a large commercial society, which is carried out by either an official inspector or a chartered accountant.

It is useful to compare this system with that of England and Italy, and in so doing it must not be forgotten that in those countries co-operation is fifty years in advance of India : a fifty years' start cannot be cancelled in a few leaps, and India must be content to move slowly. The English

Registrar is relieved of inspection and superaudit because the average co-operator is literate, business methods are thorough, and punctuality is the rule. Italy suffers severely for her neglect to create a similar office ; her citizens though more literate than the Indian masses are inclined to be irregular and dilatory, her business ways are sometimes inexact. A thorough and recurring inspection by trained officials of Government, with power to insist on a sound annual audit, would be of the utmost value to Italian co-operation, and should in no way inhibit the growth of enthusiasm.

The moral for India is plain : co-operative independence of officials is not an axiomatic right ; if assumed before the co-operator is ready to maintain a really high level of exactitude, it will bring him to disorder ; when he is literate, punctual and thorough, he will be competent to audit and inspect himself within the law.



Chapter VI.

THE CREDIT SOCIETY.

THE primary credit society with unlimited liability is now well distributed in the eight major provinces of India and in Ajmir, while a beginning has been made in the lesser administrations of British India with the exception of the North-West Frontier Province and Baluchistan. The credit societies of British India approach 45,000 in number and count nearly $1\frac{3}{4}$ million members; the average membership, between 30 and 40 persons, is low and the command of capital comparatively meagre; the village society, therefore, must in the majority of cases depend for help during its earlier years on an outside financing institution; though there may be comfort and commonsense, neither wealth nor wisdom are commonly found in small villages. The cultivators and small landowners have consequently affiliated their societies to central co-operative banks, or have themselves formed banking unions, to attract the money of the wealthy for their use, or to receive in deposit their own surplus funds. These financing institutions number about 400 in British India. Similarly they have founded unions for supervision, *i.e.*, for mutual criticism and aid, the greater part of which guarantee the loans received by their affiliated societies from central banks, and impose on their members in return a joint liability. The number of societies of all descriptions is greatest in the Punjab, where, at the time of writing, it is approximately 9,000 with 250,000 members: the population being 20 millions, there is a society for every 2,200 persons, and one person in sixteen (families included) is in a position to benefit from some form of co-operation. The proportion of co-operators to population is highest,

among the major provinces, in Bombay, where one person in fourteen belongs to a co-operator's family ; the average membership of a society in Bombay is 90, as compared with 25 in the Punjab and 16 in the Central Provinces. Though much ground has yet to be won, a membership of $1\frac{3}{4}$ millions means that, after allowing for membership of more than one society, which is uncommon, over 8 millions of people in India have been touched by the co-operative movement. Growth in Europe has been incomparably slower, and the progress there made has in consequence been somewhat more secure. Impatience is a meritorious quality but should not be translated into a thoughtless haste.

The principles underlying co-operative credit have already been briefly outlined : the society of rural credit in all parts of India is based on the system of Raiffeisen, who just 60 years ago founded his first real credit society in a German village in many respects resembling a village of India. Not less than ten adult persons apply to the Registrar, forwarding a copy of the by-laws which it is intended to adopt, and unless the proposals appear to be ill-considered or unco-operative, the society will ordinarily be registered. As a rule, there are no shares, the area from which members are to be drawn will be a single village or two or three hamlets, and the members pledge their unlimited liability, *i.e.*, all their property, movable and immovable, which can legally be pledged, as security for any loans or deposits which their society may receive. They elect their own managing committee and secretary, and so far as their education permits, keep their own accounts and records ; decisions are taken in general meeting or in their own responsible committee, and members are admitted or expelled, subject to the by-laws, by the will of the common body. On the strength of the unlimited liability, a loan may be obtained from a co-operative central bank or union, or deposits may be attracted from members and non-members ; the funds thus collected are lent out to members for useful purposes approved by the committee, within a limit sanctioned for each individual member by the general meeting. The members are bound to supervise the conduct of

borrowers, and for greater safety the security of another member is taken in support of each loan. Repayment by instalments is, if necessary, allowed and punctuality is the essential rule. It cannot by any means be claimed that all these precepts are exactly obeyed by every society : there are weaknesses and perversities, defaults and even an occasional speculation ; if, after warning and instruction by the official inspector and the unofficial auditor, there is no improvement, the society is dissolved by the Registrar. It may, however, confidently be stated that in the last ten years the quality of co-operation in the rural society throughout British India has been greatly purified and the determination of the members to shake off by honest and united effort their yoke of debt has been immeasurably strengthened. Wherever now a society establishes its footing and survives for two or three years, the money-lender knows that his kingdom is doomed to fall ; the co-operators know that if they can avoid faction among themselves, they may become free men, and they gain courage to listen to new schemes of moral and material improvement which in their former bondage were unmeaning to them even if practicable.

The detailed rules of a credit society are not invariable. In the Punjab and the United Provinces the society based on shares has from the first prevailed ; to a great extent also in Madras and Burma ; in other provinces the share and the non-share society flourish side by side—the latter predominating. The society based on shares has been described as the Indian Luzzatti Society, after the great Italian co-operator who built up the popular banks of that country : the description is wrong and misleading, since the outstanding feature of the Luzzatti Society, as also of the Schulze Delitzsch, is its limited liability. The Indian society is of the Raiffeisen type, and only seriously diverges from it in those primary institutions which, while adopting unlimited liability, yet permit the payment of a comparatively high annual dividend : these are found chiefly in the Punjab and United Provinces, where their original object was to accumulate capital in the form of large share payments. The end was secured and the capital

so collected has led to the early independence of many village societies, which have repaid the money borrowed from outside and reduced their rate of interest charged to borrowers ; on the other hand the spirit of capitalism is fostered by dividends, and an opposition tends to arise between the wealthier members holding large shares and seeking large profits and the poorer members who prefer a lower rate of interest on their loans. The practice of encouraging large shares has now been abandoned in all rural societies of unlimited liability, and the demand for a dividend in excess of the market rate paid for money loans is now diminishing. It is recognized that as a safeguard against a call on the members to make good a loss from their unlimited liability it is wiser to amass as large a reserve as possible. The reserve is formed from the margin between the rate paid by the society on its outside borrowings and the rate charged to members on loans taken from the society. In non-share societies the entire surplus so received is carried towards the individual reserve ; in share societies the idea of an indivisible reserve is being more generally accepted, but a certain number of the old type retain the right to add to reserve only a limited amount of the surplus, while crediting the remainder to the share account of the members after ten years and thereafter paying an annual dividend on the shares. This unsatisfactory type is gradually disappearing and it is highly undesirable that new societies on this basis should be registered. The first principle of co-operative credit is the abandonment of immediate profit in favour of thrift and productive expenditure.

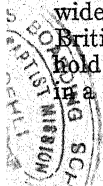
Those who are unfamiliar with co-operation may find it puzzling to understand the nature of a village bank. The name " bank " which has gained so wide an acceptance in the vernacular language of many provinces is in itself unfortunate as applied to a village society. The bank has no lofty building, uniformed *chaprasis*, and seemly cashiers as in a joint-stock bank of the towns. Its properties consist of a bundle of imperfectly written books and a simple peasant committee who work by day in their fields and meet from time to time, usually in the evening,

to distribute loans after intimate and informal discussion to applicant members. The funds at most seasons of the year are invisible, since they are fructifying as seed or cattle on the lands of the villagers ; only at harvest times is a considerable amount collected in cash, and any balance which remains after the issue of loans for the next crop is commonly repaid to the financing institution. Simple as these arrangements are, no knowledge can be more personal and close, no supervision more all-seeing, than that of the village community interested in the safety of its common fund and in the reputation of its society. Nor is the influence of co-operative unity confined to economics ; Raiffeisen was inclined to emphasize even more strongly the moral criterion of honesty in intention and action by which a would-be member must be judged, and the moral consequences which co-operation may produce. In India as in Europe, wherever the principle that only honest and industrious men may be admitted to membership has been observed, the drunkard, the gambler and the thief have been reformed, the lazy man has turned to work, and above all the hopeless man has plucked up heart. If there is time in India to build up good co-operative fibre before the raw peasant is plunged into the political struggle, there will be no citizen so sound as he who has been trained in co-operation.

In the towns the credit society is commonly of the Schulze-Delitzsch or Luzzati type, based on limited liability and forming its capital largely by means of shares : a moderate (and occasionally an immoderate) dividend is paid. Owing to the less concentrated intimacy of town life the moral element of mutual control is less marked, and though accountancy and business procedure are on a higher level, the sense of unity and of common need are less developed than in a village. The town societies of credit are less willingly financed by the majority of central banks, both because of their more material spirit and by reason of their limited liability: if on the other hand they are efficiently conducted they have no difficulty in collecting deposits and often afford timely assistance to the movement as a whole by passing on their surplus capital to central banks. Credit societies of office employees and a few caste societies

have been conspicuously successful in many Indian cities ; in some instances they contain an element of official control, which while detracting from their co-operative sense of equality yet guarantees the standard of the management and simplifies the recovery of loans.

The central banks have in nearly all cases been founded by groups of public-spirited and comparatively wealthy men, acting often on the suggestion of a local official, who contributed share capital and business ability in order to raise funds for the benefit of primary societies. In the beginning of the movement it was anticipated that local deposits would be raised in the villages as in Europe : a short experience showed that the load of unproductive debt and the ingrained habit of hoarding rendered the countryman both incapable and suspicious of entrusting his savings to the " village bank " : where moreover he had courage to do so, the unbusinesslike delays of village committees not infrequently led him to regret his temerity. The depositor therefore resorted to the central bank as an institution which appeared efficient in its dealings, tangible in that it was near at home and promoted by men whom he knew, and safe in that it obviously enjoyed the favour of Government : in the popular mind, in fact, it is even now regarded as possessing an official guarantee. The entire working capital of the co-operative movement in India is now about 17 crores of rupees (excluding loans made by secondary bodies to primary societies, and deposits made by the latter with the former). Of this amount Rs. 4 crores consists of share capital, Rs. 2 crores of reserve, and over Rs. 10 crores of deposits and loans from members and non-members. Advances held from the Indian Government are trifling in amount : official schemes of colonisation are financed by this means in Burma and Bombay, and a special and temporary crisis in the Central Provinces has been tided over by an official subvention : in Indian States, on the contrary, such official aid is customary and widespread. Evidently therefore the central banks of British India, which together with the banking unions hold the bulk of the deposits, have won the public confidence to a creditable degree. In so doing they have not sacrificed



their co-operative principles; the majority of their individual shareholders being either members of primary societies or at least cordial well-wishers of co-operation, have proved themselves very reasonably farsighted and unselfish in their attitude towards their borrowing clients; in nearly all banks also the primary societies are themselves now welcomed as shareholders and a share in the management is allotted to their delegates. One or two provinces have even provided for the gradual redemption of shares held by individuals, whereby the entire control will pass into the hands of the debtors; this policy though theoretically correct may lead either to laxity in direction or to excessive official interference if the "middle-class" helper is excluded from the larger banks before the representatives of societies are fully competent to replace them; it will be wiser to subdivide the area of the bank among a group of banking unions.

The banking union is a feature of the Punjab system, though not unknown in Bengal and Madras: it differs from a central bank in respect of its smaller area, usually confined to a radius of not more than ten miles, and in admitting no individual shareholders: as is to be expected in a rural institution, its standard of efficiency varies over a wide range, the abler men producing as good results from their less complicated registers as any up-to-date central bank, and the weaker atoning only for the clumsiness of their procedure by the good will with which they submit to the auditor's reproofs. The value of the banking union resides less in the management of money than in the local pride and enthusiasm which it arouses: the liability being joint, though limited, constitutes the union a guaranteeing body in face of outside creditors, while the supervision of affiliated societies is a normal and active portion of its duties.

The guaranteeing union is most common in Burma and the Central Provinces, while the supervising unions are numerous in Madras. These bodies accumulate and handle no money, their business being to co-ordinate local societies in groups for mutual criticism and aid, while the guaranteeing union serves as a buffer between the rural society and the

remote bank which is unable to acquire a detailed knowledge of its clients' affairs : the affiliated societies make themselves mutually responsible for each other's borrowings, and restrict such borrowings to a figure approved by themselves.

The MacLagan Committee on Co-operation in 1915 recommended the creation of an "apical" or provincial bank in each province, with perhaps an all-India co-operative bank at the head. Such banks have been registered, or formed by the conversion of an existing co-operative body, in all the major provinces except the United Provinces and the Punjab, and are intended to serve three objects : they are to attract deposits, when required, at a lower rate or from a wider area than is possible for the central banks ; to unload on the commercial market the surplus funds of the central banks when available ; and to balance the funds of these banks by transferring the surplus of one locality to another which is in need of help. Experience has shown that they are able to obtain deposits as desired, especially in the great presidency towns, and to feed the under-financed districts : this, however, is a task which becomes superfluous when the central banks gain sufficient strength to stand by themselves. The second function of investing the surplus money of central banks can be carried out satisfactorily if the rate of interest on deposits received is kept low ; but on those conditions the central banks can invest their funds for themselves ; no additional convenience is provided by a provincial bank. The transfer of funds by way of loan from one bank to another does indeed require a central "exchange" for which a non-official provincial union can be employed, giving advice without handling the money or incurring responsibility. It appears not unlikely that, as central banks are multiplied, some of the provincial banks will find their utility decreasing : it is already suggested that the provincial bank of the Central Provinces be liquidated, while that of Burma feels a change in its position. On the other hand, a scheme for a provincial bank in the Punjab is being considered. A province in which capital is adequately derived from local deposits will not indefinitely

require a central organ of finance. The probability of an all-India co-operative bank is now remote.

In conclusion it is necessary to repeat that the credit movement of British India is not working with official money : about 50 per cent. of its capital consists of small shares contributed by the members and the surplus accumulated from the interest on their borrowings : another 10 per cent. consists of deposits by the members themselves : the remainder is commercial credit. The societies are not managed by Government or by officials : they are in the hands of their members, subject to an audit prescribed by law and carried out by non-officials under a decreasing official supervision : the official visits the society, teaches, praises, and chides, but unless the management is so negligent or perverted that liquidation is the only remedy, the official has virtually no legal power of enforcing his advice. Meanwhile the usurer is being driven slowly back ; for his extortionate loans at $37\frac{1}{2}$ per cent. plus compound interest plus false accounts plus an infinite series of domestic tyrannies is substituted a loan publicly given at a rate between 9 and 18 per cent., with simple interest, audited accounts, and a vote for each member in the general meeting. Above all, the new credit is not indiscriminate : the *sahukar's* worst sin is not his extortion, but his indifference to the purpose of the loan : a credit society lends only for necessary objects, and saves the borrower from his own improvidence until he learns to think for himself.



Chapter VII.

SOCIETIES OF CONSUMPTION AND SUPPLY.

WHEN his ambition has been excited by the hope of escaping from the money-lender's net, the farmer begins to consider whether his industry is giving him a return commensurate with his labours. While the usurer was his master there were open to him only the alternatives of taking on credit whatever seed, cloth, cattle, and food grain the former might be pleased to sell at his own price, or buying for cash elsewhere the most worthless quality of every article through lack of means to buy a better. It is of little advantage to co-operators to buy the same worthless goods at the same fanciful price with the help of a loan from their credit society; the obvious remedy is to buy from a remoter and more trustworthy provider, and to give a joint order for the goods. In many instances this is first done by a group of individuals apart from their society, but economy of labour soon suggests that the society which includes the prudent committee and the literate secretary be used as agent: the by-laws of a rural credit society usually permit the undertaking of economic activities other than mere credit. Where on account of the growing bulk of orders or with the intention of admitting persons who are not members of the credit society the business of purchase is separated from that of credit, an independent supply society is registered, with the duty of inviting and combining indents and distributing the goods on arrival. The loyalty of members to their supply society having been proved, the next step is to keep a surplus of goods in reserve with a view to future needs; from this stage it is but a short distance to the consumers' store, or, as it is called in England, the distributive society,—a shop which holds a stock of articles most likely to find a ready sale, and is

usually prepared to dispose of them to members and non-members alike.

It has already been pointed out that there is no essential difference between a supply society, a supply store, and a consumers' store or distributive society; whatever is usefully bought is bought for consumption or use (which leads to eventual consumption), and there is nothing gained by an arbitrary distinction between that which is intended for professional and that which is applied to domestic use; a mother of a family, for example, follows the profession of domestic economy. What, on the other hand, is uselessly bought should not be bought at all, and its purchase is a misuse of co-operative opportunity, though it is less simple to make a useless purchase through a supply society which undertakes to provide only professional requirements, than through a consumers' store which caters for aesthetic and general needs. The accepted classification is consequently misleading in its division of consumers' stores from supply societies: a frequent difference in practice, though not in principle, is that a permanent shop is preferred in urban areas in which the occupation of members is so varied that their professional needs cannot be satisfied by a common institution, while in the country each member produces so many of his own domestic necessities, and the profession of the majority is so uniform, that the collection of indents for stated articles after certain periods is convenient; since agricultural requirements are largely seasonal, a shop would do no business for a great part of the year. Even this distinction must not be asserted too clearly, for in Ireland the village store has made good its position, and there is no reason why it should not ultimately, with the spread of education, be supported and managed by an Indian village with equal success.

The store was found to be developed in England beyond all other forms of co-operation, whether because the national spirit is hostile to the publicity involved in the proceedings of a credit society, or because the members are familiar with the advantages of thoughtful buying and sufficiently prosperous to face the necessity of cash payment for goods supplied: in a poorer or more unbusinesslike community

the co-operator must first be trained in a simple school to be prudent and punctual, and to count the cost of borrowing money or of accepting goods on credit. The rural society in England is most frequently a supply society : the cultivators command a certain capital and a minimum of business understanding ; they can read, write and keep accounts (though accounts are only too seldom kept by the farmer) : they do not need money so much as access to genuine goods. The Indian as compared with the English co-operator possesses two virtues : he is certainly less materialistic, more open to a moral appeal and is also, in the writer's opinion, somewhat more loyal, at least in intention, to the common enterprise to which he and his fellows are pledged. On the other hand, he is distressingly unpunctual and inert, and in the villages at least his lack of education and his traditional mode of life render him most improvident and entirely ignorant of business. Now the " business " of purchase and distribution necessitates an understanding of certain ordinary economic rules and the observance of certain elementary efficient practices. Men must know what they need, and realize what they can afford : they must pay for their purchases as soon as possible and must either engage an expert staff, giving them an adequate salary and supervising their proceedings, or themselves take an active part in the management of the society. There is no reason to conclude that Indian co-operators are unteachable on these points, but the experience of the commercial co-operative societies founded by them shows that the lesson will only be learnt at the price of recurring losses and disappointments.

The number of consumption and supply societies in India is at present small, perhaps not exceeding 750 in the towns and 350 in the villages : the turnover of urban societies is highest in the province of Madras where it exceeded Rs. 25 lakhs in 1919-20, a great part of this figure being contributed by the flourishing but somewhat " capitalistic " Triplicane Society of Madras proper. Rural purchase is popular in Bengal, Bombay and the Punjab, where it is conducted almost without exception by the indenting society as opposed to the shop. A number of the

urban societies follow the same method, feeling that prudence requires them to secure the loyalty of their members and learn the ways of the market before embarking on more permanent expenditure ; the misfortunes of rash stores have recently encouraged them in this cautious policy. On the other hand, while it must be admitted that hasty and ill-judged outlay causes trouble and is to be deprecated, it is also becoming clear that the indenting procedure irritates the townsman : his life is varied and his leisure well occupied ; if, by a definite act or a temporary sacrifice, he can once for all secure sound goods at a moderate price, he is ready to do or forgo what is demanded, but he is not often prepared to undertake a continuing duty. The meetings of urban societies of consumption are ill-attended, and the supervision of their affairs is habitually neglected by the members of committee. The ultimate remedy is the foundation of a permanent shop, on not too small a scale, with a well-paid expert staff and a thorough six-monthly audit ; co-operators are naturally reluctant to propose, or Registrars to sanction, ambitious schemes of this kind until the demand for co-operative consumption, which is now often provoked by temporary stresses of the market, rests on a real understanding of what is meant by the term and a will to persist in face of inevitable difficulties. Societies have multiplied during the war, both in the form of indenting institutions and as shops : the scarcity of prime necessities of life and the shameless profiteering by monopolists, whether wholesalers or retailers, which resulted from the military demand on the market and from the restriction of transport, led to a considerable business in cloth, grain, salt, oil, and fuel, many societies scoring brilliant victories over the local middleman. The gradual re-opening of communications and the stabilizing of post-war prices have brought them into more normal competition with the professional trader, whose experience, ability and unscrupulousness have in many cases been more than a match for the sanguine but amateur co-operator. It will be necessary to move slowly for a time and gain knowledge by strengthening those stores which enjoy the services of competent directors or managers. There is no reason to despair of the consumers' movement, but it is unwise to

underrate the enemy's power. If he had had no specialized skill to back him, his iniquities would have brought about his extermination many generations ago. Indian urban stores must perhaps admit error in one important point in which they have diverged from the British precedent, and must return to the rule of selling goods at the full market price, and repaying the surplus to members from time to time as a dividend on custom. The prevailing Indian practice of selling as cheaply as possible renders members querulous, critical, and disloyal, while accumulating an insufficient surplus fund from which accidental losses may be met. Similarly an urban shop must adopt the British rule of selling to the general public ; it is impracticable for a salesman handling a large turnover to identify all individual shareholders, and though dealing with non-members is not desirable from the ideal co-operative standpoint, its disadvantages are mitigated and unfavourable comment is disarmed by carrying the profit derived from such dealings either to the indivisible reserve fund of the society or to the share account of the customer, who thus eventually becomes a member.

The remoteness of many Indian villages and the dependence of the community on a few monopolist shopkeepers renders it both politic and possible to maintain in a village a consumers' society with a membership far smaller than that of an urban society. In consequence of this small membership a shop is often too expensive a convenience, the custom of peasants, whose needs are simple and whose means are limited, being unequal to the support of a hired building and a paid staff. The rural society of consumption, therefore, is usually content to order goods on indent, or at most to lay in a stock of seeds, grains and ordinary domestic necessities in proportion to their members' estimated requirements. The goods are stored in a member's house or distributed immediately on receipt : a surplus remaining over from an order may be sold to non-members, but the attraction of non-members' custom is seldom a prominent object : everyone in the village knows what has been ordered and at what price it is being distributed, and can join the society without difficulty. The

only effective competition is from the grain-dealing creditor, from whom the peasant, if deeply indebted, buys because he must. A society ordering on indent and in response to a known and measured demand is exposed to a relatively slight danger of loss ; the rural member of a supply society does not vary so lightly in his allegiance as does the townsman : he either adopts co-operation and then takes up the goods for which he indented, or if he is wealthy, stupid, or hopelessly indigent, he leaves the society alone. The society can therefore afford to dispense with the surplus fund which the urban store recovers as an insurance against trouble, and can sell at a minimum profit. For the same reason the rural society can without danger and consistently with co-operative principles advance goods on credit, since the advances made are in large quantities and comprise only a few articles, which, in the absence of a society of consumption, the countryman would have borrowed from his credit society to buy. It is however preferable that the credit for goods advanced be shown in the books of the credit society, and that liabilities to the society of consumption be immediately liquidated by the consumer. His indebtedness is then confined to a single society and will not be allowed to exceed the bounds of prudence. There is nothing theoretically unsound in the village shop or store ; when custom is adequate and the standard of living high, the countryman's varied needs call for a shop, and the examples of Ireland and Italy prove that it may flourish. It must appeal to a large body of members, and must be free from the jealous rivalry of a " consumers' movement " centred in the towns ; a valuable contributory to its success is the provision of productive occupations, such as lace-making, poultry breeding, etc., for countrywomen in their homes, which being more profitable and not less attractive than the pettier pursuits of housekeeping, induce and compel them to buy from the co-operative shop and provide them with the means of so doing.

Where the villages or hamlets lack the power of supporting a shop and cannot even buy in such bulk as to interest the wholesaler, their indents must be combined by a secondary body, such as the supply unions or trading

unions developed in the Punjab or Madras. One solution of the rural co-operative supply problem in India is offered by these institutions which now number about 150 and 70 respectively: the supply union affiliates primary societies only, the trading union admits both individuals and societies and may approximate in character to a store, whereas the supply union buys on indent. It should be noted that the society member is ordinarily a credit society, and that the greater part of supply business in rural areas of India is carried on by credit societies. Lack of education precludes the formation of really independent societies of consumption in villages in which a co-operative society of any other description is already established: only one committee of competent men can be formed in a village of 100 or 200 houses, and the utmost that is required or achieved is to separate the accounts of credit transactions from those of supply, whether by registering two nominally distinct societies under a single group of men or by maintaining two sets of books in a single "general purposes" society. The latter is now the more common and in India the more economical and expedient.

In England the rivalry, bordering on hostility, between the urban movement of the consumers and the rural movement of agricultural producers, debars them from any immediate hope of union. In Belgium and South Holland the rural credit societies promote "sections" of supply which are not separately registered and which provide little beyond agricultural requirements: the peasants' standard of life is low and their houses are often scattered. In Italy the villages, at least in the plains, are relatively concentrated, and the supply society, sometimes operating independently and at other times financed by a credit or labour society, frequently amounts to a shop. In a community of men holding an equal status, the sub-division of co-operative business is of little advantage: but in an unequal community, since a credit society is based on unlimited liability, those who do not need to borrow may be reluctant to pledge their unlimited liability for the convenience of co-operative purchase. Societies other than of credit usually rest on a limited liability, since an unlimited

liability pledged by the same person in two places is unmeaning ; the supply society of limited liability is therefore to be preferred where such well-to-do persons exist, and their existence will remove the difficulty of finding a second committee of managing members.



Chapter VIII.

SOCIETIES OF PRODUCTION AND SALE.

THE experience of all countries shows that sale is the most difficult and most advanced of all co-operative activities. The process in question is the sale of co-operators' goods to other persons, not the distribution among members of goods co-operatively bought in the open market. When co-operators wish to buy, by bulking their orders they can open up a connection with the large producer or wholesaler and can obtain the advantage hitherto secured by the middleman or retailer. The preparation and grading of the goods has been done by the other party, and the act of purchase is simple. When, on the other hand, they wish to sell to a wholesaler or large consumer, evading the small buyer, the skilled grading and the preparation of the goods for the market is their own part, and since the act of sale and preparation for sale is thereby complicated, the co-operative producer, who is usually a man of moderate means, may be unable to operate on the large scale required or engage the expert assistance, without which the large buyer will find it inconvenient to deal with him, however excellent his produce may be. Moreover the producer of moderate means cannot always afford to hold up his goods for a better market, whereas, if he were buying and found the market unfavourable, he would perhaps postpone his purchase. Co-operative production and sale is therefore most satisfactory when it is on the level of "large industry" or when peculiar circumstances assure it a local market comparatively free from competition.

Notable examples of co-operative sale are observed in the tinned fruit trade of Western America, the grain elevators of America and Canada (many but not all of which are co-operative) and the butter and cheese export of Denmark

and Holland, all of which tend to prove the above argument : repeated failures formed a prelude to eventual success, which was only secure when the entire control over the commodity to be sold was exercised by a single organisation or a group of closely allied bodies. The failures are inevitable and are not without value ; the conditions of no two trades or countries are altogether similar, and experience which must be bought is always costly ; the battle is won only by persistent effort, and the corpses must be buried with decency and without despair.

In British India there are not more than 250 agricultural and an equal number of non-agricultural sale societies ; the highest total of agricultural societies is shown in Burma, and of non-agricultural in Bengal : the enumeration may be misleading, since Bombay holds a long lead over any other province in the value of goods sold on behalf of members. The function of sale, as of purchase, is performed by many primary societies of credit and by a few unions ; it has not yet become possible to organise many special sale societies of a size which can enter the commercial market. Co-operative sale of cotton in Bombay is for the most part in the hands of separate societies, a similar duty for cotton and other produce being carried out in the Punjab commission shops : in Burma, Madras and Bengal credit societies undertake the sale of their members' rice, and in Bengal a large society for the cultivation and sale of ganjha (an intoxicant product of hemp) has been granted the monopoly in this article under official control. Sporadic instances in which a primary society is able to dispose of its grain, ghee, or oil to a consumers' society, a local trader, or an official institution, occur in every province, but there is accumulating evidence that the marketing of agricultural produce, particularly of perishable descriptions, needs the help of experts and the provision of storage accommodation, and no financing body will be associated with a venture of this kind until the struggles of small societies have indicated a possible line of progress and marked the more recurrent causes of mishap. The English societies of rural trading soon established themselves in the buying market, their members offering them a safe outlet for sale of goods bought from the outside world ;

their recent experiment in the sale of wool bought from members has been unfortunate, and that of dead meat is still uncertain ; sale of eggs, poultry, fruit and milk has been excellently conducted by large societies but has undergone embarrassing vicissitudes in an unsteady post-war market. Probably therefore the specialized society for sale of the agricultural produce of members to the public is not at present justified in India unless in exceptional circumstances; the primary credit societies through their supply (and sale) unions must do what they can to learn the ways of the commercial world and must be content to gain ground inch by inch. The obstacles are presented not only by the market but by the producer : every sound farmer believes his own produce to be good and is reluctant to see it merged in that of his fellows : he hears of a fancy price obtained (or said to have been obtained) by a lucky neighbour and resents a safe bargain at moderate rates made by his society. His loyalty has to be proved in a small circle of co-operative sellers before he is counted upon to fight a harder battle for friends who are strangers to him. The Indian farmer, like the European farmers, has much to learn of loyalty in joint selling, and it is not surprising that the purchases of co-operative societies in India for distribution of goods to members, are three times as great as the sale of members' goods to the public.

Non-agricultural producers who co-operate in production and sale are commonly of the artisan and sometimes of the "depressed" or menial classes ; their societies are accustomed to combine purchase of the raw material or even credit operations of the normal type with sale of the finished product on behalf of members, and the classification of such institutions by Registrars may vary from province to province. In some provinces, *e.g.*, Madras and the Punjab, cash loans are not encouraged ; in Bengal and some other provinces cash dealings take a prominent place. The most familiar type of productive society in India is that of handloom weavers who buy their cotton yarn or their raw silk through the society or through a secondary body to which the society is affiliated, and either sell their finished goods independently, or re-sell them to the society, or

follow either method from time to time as may be agreed. The position of the cottage weaver, who was formerly in the hands of an ingenious trader, buying from him and selling to him at a dictated price, has been immensely improved by organisation ; joint purchase is comparatively simple and results in a marked saving, joint sale is a less sure enterprise for reasons already explained, but the existence of an institution which even to a limited extent can hold his stock for a favourable market and release him from the obligation of immediate sale, safeguards him against the exploiting merchant. It is argued that the handloom worker must finally be defeated by the mill ; if this is the case, the transition is gradual and the process is eased by co-operative resistance ; it is, however, not certain that new looms and cheap power may not place the home worker on a level to compete with the product of the factory.

Similar societies of co-operative dyers, leather-workers, wood-workers, metal-workers and printers, etc., are operating with good or ill fortune in the various provinces ; no class is so widely spread as that of the weavers. Fishermen's societies in some provinces attain a respectable figure, but though described as societies of production are often only credit societies which make a rare excursion into other fields. The reason for the scarcity of productive societies in India would appear to be that the capitalistic form of industry in great factories is not generally developed ; in so far as it exists, the factory workers are a floating population who do not remain long enough in one occupation to become skilled artisans ; they are consequently content with their pay as unskilled 'hands' and can at any moment abandon their employment without discomfort. The home-worker, on the other hand, though suffering from the competition of the factory-made article has still a measure of independence and is master of his time, working at irregular hours and without irksome discipline. Although, therefore, there is waste in India, through lack of organisation both among consumers and among home-producers, and though the manufacture of goods which appear, or are represented in advertisement, to be better than they are, is being sedulously introduced by the factory industrialist, yet the producer

does not suffer from boredom or discontent as in 'progressive' countries: he is satisfied with his wage or his relative freedom, and the demand for release through co-operative production is in no way intense. It is the more imperative to forestall the capitalist system which is rapidly advancing, and to organize the independent and skilled artisan in such institutions and with such financial and technical efficiency as will enable him to produce honest and genuine goods cheaply and rapidly. If over 300 millions of men in India can be saved from the domination of individual or joint-stock capital, this country will present a unique record; in China the hand of Government is too weak, in Japan the devotion to modern progress is too blind, but it may be possible, if productive co-operative societies are now pressed and developed before the enemy has established his footing, to give India all the advantages of modern science without entangling her in the net of profit-making capitalism.

The labour society, which is a form of co-operative production and the general dissemination and enthusiastic prosperity of which was described in Italy, is almost unknown in India. Madras has a labour union in a rural area; societies in a remote region of Burma cut sleepers on contract for the Forest Department, similar societies of timber-workers flourish in the State of Kashmir, and a society of coolies in the hills of the United Provinces attained a measure of success until a reform of transport methods in the neighbourhood rendered their co-operative organisation superfluous. The proceedings of the few labour societies which exist are not always unexceptionable; loaders of salt in Madras take useful contracts, but makers of salt in Bombay are inclined to convert their co-operative society into a ring for forcing prices up and wages down. A society of municipal scavengers is found holding a contract for municipal toll-collecting, while cobblers obtained a lease of a forest for timber extraction! Unless the members of the two latter societies personally collected the tolls and cut the wood, as to which the official record is silent, their proceedings are those of joint-stock capitalists and are opposed to co-operation. So notoriously unsatisfactory

are the ways of the petty contractor in India and so uncertain is his labour supply, that a system which would give the labourer an interest in doing steady and competent work and would convince him that it pays to satisfy the contract-giver, would confer a striking benefit on all classes of the community. As in Italy, contracts for municipal or district board works and sub-contracts for the larger Public Works Department, forest, or railway undertakings might be given to gangs of labourers under an intelligent foreman elected by themselves : most conspicuously suitable for this purpose are works of earth filling or excavation, collection of stone and kankar, and perhaps the making of bricks. If the workers can be taught to submit to control in technical matters, they should be able to secure sub-leases of salt or coal mines : at present they are themselves too backward to listen to the idea. The Indian manual worker does not resent long hours, provided he may be irregular and unpunctual : the contractor or his paid servant, who set a different value on their time, resent the waste and delay involved by the labourer's vagaries, and try to pin him down to a programme : under a foreman of their own choice and their own temperament the labourers would work long hours with frequent intervals ; nominating their own time-keepers they would distribute the proceeds of the contract to each man according to time kept, and if the resulting income was disappointing it should not be impossible for a co-operative teacher to point the moral. Visionary as such a proposal may seem, it is important to remember that the Italian, whose temperament is very similar to the Indian, has made it a reality. Every radical change is first denounced as unjust or mocked as visionary, but, when the new system is in working, it is accepted as a matter of course.



Chapter IX.

OTHER FORMS OF CO-OPERATION.

CO-OPERATION is primarily a method ; the method having been found peculiarly well adapted to the solution of certain problems and the removal of certain evils, becomes inseparably associated with a point of view and a doctrine ; the doctrine being the source of inspiration to the army of men who follow the co-operative method has now acquired so overwhelming an importance in their minds that the method is accepted as a matter of course (and may even be overlooked) while attention is concentrated on the theory. The co-operative method—the joint effort of honest persons to improve their economic circumstances—was intended to combat the evils of waste, adulteration, and discontent, due respectively to the lack of organisation, honesty and industrial freedom ; its virtues are such that it can be applied to the elimination of these evils in the most various ways. All organisation, and organisation for credit in particular, is aimed at the avoidance of waste : joint purchase has in view the substitution of good for adulterated commodities, and co-operative production is a specific for labour discontent.

In addition to these three main routes which have been described, there are innumerable minor paths by which the co-operator seeks to evade the enemy and rise to higher ground ; a few of these will be briefly mentioned.

Mutual insurance, though by no means confined to co-operators, is practised in Europe in many forms : the life and health of the contributor, of his relatives or servants, his cattle and crops, his buildings and his movables, may all be secured ; he may guard against sickness, accident and death, may provide for old age or education, and may obtain

compensation for loss by fire, famine, and hail. Insurance being a precaution against economic damage rather than an effort towards betterment is in some European countries not classed as co-operation : India having no separate law on mutuality, the society of mutual insurance may, with advantage to all parties, be registered under the Co-operative Societies Act. Only cattle insurance has made appreciable progress, there being now in Burma about 400 primary societies and one of re-insurance ; smaller groups are found in the Punjab, Bombay, and the minor administration of Coorg in South India. Members in Burma agree to pay a premium of 3 per cent. on the value of all their buffalos and bullocks as assessed by a small local committee, and receive two-thirds of the value as compensation in case of loss. It is not permitted to insure some animals only and not others, on account of the danger of substitution and also of infection from animals not insured and carelessly kept. Provision is made against all serious risks except loss by theft and by rinderpest ; the omission of the last is intended to obviate the possibility of an excessive demand on the society's resources during an epidemic, but until a society is in a position to meet this danger also it is withholding one of its greatest benefits. The re-insurance society receives half the premia of a primary society and bears half the losses. The rules adopted in the other three areas are similar ; an attempt to face the risk of an epidemic has been made, and some societies insure cows. A re-insurance society is working also in the Punjab. Despite the considerable number of registered societies it cannot yet be maintained that cattle insurance is popular ; interest flags after a few years and premia are often not collected. One cause of failure may be the caution which has led organisers to promote societies chiefly in tracts which show a low cattle mortality ; indifference may be due to lack of pressing necessity. It also appears that in some districts of uncertain harvests and dear fodder it may be economically unwise for the cultivator to retain his cattle throughout the year ; it pays him better to buy them at the beginning of the working season and sell them cheaply at the end. The procedure of constant insurance, though not less advisable, then becomes wearisome to him. The policy cannot

however by any means be declared generally unsuitable to India, and the recent extension of the movement from Burma to other provinces will afford an opportunity for comparison and useful criticism which may bring about a re-alignment of policy. A levy of higher premia in tracts of heavy mortality may be practicable.

A society for insurance of brood-mares maintained as a condition of land tenure has recently been started in the Punjab.

Societies of agricultural improvement naturally fill a large place in a peasant community. The most obvious step for a farmer is to arrange for better and purer seed, a measure not necessarily taken by co-operative means, but enjoying a stronger guarantee of loyalty and continuity under co-operative management. The provision of seed, apart from ordinary purchase from an official department or from merchants, is made by seed unions and seed farms; the former have been well developed in the Central Provinces, where individual cultivators pledge themselves to cultivate a certain quantity of the selected variety, usually wheat or cotton, on land reserved for the purpose, and to distribute the produce to a larger circle of co-operative cultivators. The same function is performed by non-co-operative unions, and in either case the supervision remains with agricultural experts. Seed farms and demonstration farms are maintained in the Punjab, where the peasant being himself a petty landowner must be convinced by the evidence of his own eyes that selected seed sown by interstripping with ordinary local seed yields a higher outturn; the demonstration plots are for the most part supervised by banking unions or credit societies, but a few independent farms are earning a well-merited reputation. The distribution of selected varieties of seed to members is carried on in all provinces and on a large scale by the primary credit society, and the co-operative society has proved itself by far the most acceptable vehicle for conveying new ideas to the small cultivator.

Cattle breeding is everywhere hampered by the difficulty of finding a suitable grazing ground and of

excluding others than the selected herd ; bulls are kept by a few societies, secondary or primary, in Bihar, and breeding societies exist in the Central Provinces, Bombay and the Punjab, but this question is complicated for Hindus by the problem of eliminating rejected stock, without which no European country has been able to establish a breed but which religious sentiments in India render exceptionally puzzling. A process of improvement implies rejection as well as selection, and though it may for a time be possible to sell poor stock which is unfit for retention, the low price which such animals will obviously bring in as live stock induces the short-sighted breeder to retain many which are worse than useless.

If scientific cattle breeding is abandoned, the supply of pure milk will be at a discount. Milk societies and dairies may be owned either by the consumer who desires good milk or by the producer who hopes to obtain a special price for a superior quality. Both classes of society in India are embarrassed by the reluctance of the public to pay more for good milk than for dirt and water and by the neglect of municipal authorities to enforce the powers legally vested in them. While there are milk societies in all provinces, Bengal has developed this branch beyond all others, the 40 societies of milk-sellers in the neighbourhood of Calcutta having founded a union to secure contracts and co-ordinate the work, and having purchased motor lorries for collection and transport of cans. Their difficulty lies in maintaining a steady supply during the rains when the yield of milk naturally falls off. Single societies operate with fluctuating fortune in other towns : the members are, as a rule, the producers, who are uneducated and thriftless *gwalis*, easily seduced from their allegiance. No society of milk consumers has yet been really successful unless it has free pasture to offer to the cow-owner : in such a case the price of milk is in reality higher than the consumer realizes, and is partly paid by the benevolent landlord of the grazing ground.

The co-operative farming society which was described in Italy is a type for which India should offer an abundant scope : non-resident landlords are very frequent

and when they manage their estate through a steward or lease them to a contractor, the margin between the sum which the cultivator pays and that which the landlord receives is apt to be very wide : both parties stand to gain by entering into direct relations. The obstacles in the way are the desire of the landowner and his steward to uphold his position as squirearch, which a free contract with associated tenants would impair, his preference for a cash payment in advance on a contract, which a tenants' society would be unable to give, and the incapacity of tenants, especially if permanently resident in a village and full of neighbourly faction, to combine for joint action. Two societies of joint farming in Bengal have been working for some years but are not free from the capitalistic spirit. A determined effort should be made to create genuine societies of joint leasing and farming on the Italian model.

Seven irrigation societies in Bengal have a very fair record, and are more truly co-operative than the semi-capitalistic bodies in North Italy. Where a community can gain sole control over an embankment, a tank, or an irrigation channel, the management of its affairs may be prosperous. What is now needed is a scheme for co-operative irrigation by the cultivators whose lands lie on the distributary of a great canal, the peasants paying to Government either a lump sum on the outlet or if departmental supervision and measurement is unavoidable, then a fixed sum on the irrigated area, and themselves arranging the distribution of the water. No argument is needed to prove that the cultivator gains economically wherever he can substitute his own action for supervision by the low-paid servant of Government.

The prevailing system of inheritance among the Indian landowning peasantry leads to a progressive fragmentation of land and results in what is known as the uneconomic holding. Many owners of a tiny share in a landed heritage have no hope of deriving a living from its produce and would be better placed if they could realize its cash value : this they fail to do because a holding which consists of ten minute patches in various parts of the village cannot be sold ; they struggle on, therefore, trying to live on a holding which

can never give them more than a starvation yield. A far greater number of cultivators fail to obtain an adequate return from their land for the same reason of fragmentation. The Japanese law permits a certain majority of owners in a village to apply for forcible reallotment and "restriping" of the land, each man receiving a consolidated block in one or two places, approximately equivalent in area and value to the fields which he surrendered. Co-operative consolidation by consent has been effected in about 100 Punjab villages, where the new allotment of holdings is sometimes subject to reconsideration after four years but in recently registered societies has been permanent from the first. Broadly speaking, the reduction in the number of fields is from either 10 or 5 to 1, the increase of area is in inverse ratio, and the rent of leased holdings is found to be proportionately enhanced. Fragmentation is probably worse in Southern than in Northern India, and the economic advantage of consolidation will be the greater: the patience and eloquence required for convincing peasants that they will do well to throw their ancestral scraps of land into a communal melting pot, are not the birthright of every co-operative organizer.

The co-operative activities discussed above have chiefly concerned the agriculturist: housing and building societies are primarily of interest to the townsman. These societies, numbering about 100, are found for the most part in Bengal, Madras and Bombay, 19 being situated in Bombay itself or its suburbs. They are a natural outcome of urban congestion. The housing or building society is nearly always a consumers' body, organized by those who wish to live in the houses when built, and polluted by the admixture of those who merely wish to hire the houses to others on profitable terms. Only one society of building masons, analogous to the English building guilds, is recorded. The consumers' housing societies usually contemplate the surrender of ownership to the members when full payment has been made: to this extent the societies are of the nature of credit rather than of co-operative tenancy. It is however certain that if co-operative control be not maintained over the management

of the houses in some degree, and above all if the right of transfer be unrestricted, the effect of co-operative action will be transient, and the congested and insanitary conditions from which the society provided a means of escape will speedily be reproduced. Housing societies having at their inception no material security are at a disadvantage in borrowing capital ; the Government of Bombay advances money to them on reasonable terms, but the true co-operative method is that by subscription the members should slowly collect their own funds. A co-operative building union would perhaps be able to borrow on their behalf, retaining a control over the expenditure of funds and a mortgage on houses built. A model suburb is projected by Punjab co-operators near Lahore, and land has been granted by the local Government on favourable terms. The townsman who is willing to invest money in such an enterprise is often of the class which trades for profit, and is not without a struggle confined within co-operative bounds.

Co-operation being directed towards economic betterment, it must be admitted that the economic advantage in view though extremely real is often indirect and sometimes remote. This straining of a definition is a natural result of that dominion established by the doctrine and theory of co-operation, as distinguished from the method and practice, over the mind of the co-operative enthusiast ; and since to the idealist the moral and spiritual claims and accomplishments of co-operation are more precious and more lasting than its economic conquests, he would be unwilling to surrender these outlying provinces of his kingdom. An understanding of hygienic and sanitary values is among the results of co-operative training, and cleanliness, medical attention, and prophylactic measures mean more to a man who is anxious for better farming and better living than to one who is groping in the old darkness of debt and ignorance. Seven anti-malaria societies in Bengal have perplexed the Registrar by their persistent enthusiasm and by their remoteness from direct economic ends : health is nevertheless the first wealth of man, and to exclude them would be to adopt a needlessly narrow definition. In the Punjab also a group of credit societies have bound themselves to the

regular consumption of quinine in the rainy season. A co-operative dispensary in Bihar flourished with assistance from the District Board until the latter body felt constrained to assume direct control. (Co-operative post offices in the Punjab were similarly adopted by the Postal Department after a short orphanage.) A co-operative dispensary in the Punjab has proved a popular venture.

Japanese societies in many villages enforce a rule of early rising: if this is an 'economic end', Indian registrars need feel few scruples in registering any society for the inculcation of the major or minor virtues.

The influence of co-operation is everywhere exemplified in the growth of two ideas: the worth of education and the futility of litigious quarrels are more and more clearly realized. Not only does the co-operator learn to appreciate education as technically understood, since only by its help can he enter fully into the work of his society and escape from the traps laid for him by money-lenders and middlemen; he also opens his mind to the possibilities of better living which the world contains for him and his fellows. In rural India particularly, where the literate peasant is still the exception, the progress of co-operation is limited at every point by the dependence of the members on outside secretaries and helpers who may or may not be disinterested and trustworthy and who very frequently are not conversant with rural circumstances and attitudes of mind. A direct connection between schools and co-operative bodies has only been created by official initiative in the province of Bihar and Orissa, where grants from District Boards are made to a number of unions and societies for the promotion and management of schools in their neighbourhood. Other schools are maintained by societies themselves with only such assistance as they may earn by qualifying for the usual grant made to an approved "private" institution: in some cases the members bind themselves to see that the attendance of their children is regular under penalty of a fine. Grants from the profits of societies towards the support of their local Board schools and also towards scholarships for the children of poor co-operators or other persons

are very common, and the tendency is to make such contributions, which are entirely spontaneous, even before the funds of the society can really afford it. Adult members of societies in a few places attend school on Sundays to be instructed in co-operation. In Bengal and the Punjab night-schools for the general education of adult members, not in co-operation only, are spreading, and now number 40 in the former and 100 in the latter province. Children are sometimes admitted and father and son learn side by side, but the temperaments and working methods of old and young are different, and better results are obtained by teaching them separately. Such schools are not always registered, since their financial business is trifling and there is no room for profit-making or selfishness.

Education in co-operative principles and methods is at all times carried on by the official and unofficial staff, the various types of union, and the provincial federations. The Co-operative Organization Society of Calcutta and the Institute of Bombay include such instruction among their principal duties, holding classes, examining candidates, and publishing journals and literature.

The arbitration society, which, if finally approved, will be one of the most triumphant successes of the co-operative doctrine and method, is established in the Punjab only, where there are already 120 societies and new applications are being constantly received. After the money-lender the law court ; this was the rake's progress of the Indian peasant, and no one recognizes more promptly than he the material saving and moral benefit of suppressing litigation, whether vexatious or genuine. There are legal pitfalls to be avoided in drafting by-laws for a society of general arbitration, and the familiar tricks of the court subordinates have still to be overcome if the society's award needs to be enforced by execution ; it cannot yet be claimed that the arbitration society has faced all tests, but when the majority of the residents in a village have become members, the moral force of an award is such as to overbear all but the most resolute and wanton opposition. It is desirable so to amend the law that members of an arbitration society registered under the

Co-operative Societies Act (and under no other) be permitted to enter into a general agreement of arbitration without specifying the exact subjects to which the dispute must relate, and also to authorize the regular employment of special bailiffs at the cost of societies on a scale of pay which will remove them from the most pressing temptations to corrupt behaviour. These societies will always stand in need of supervision by a visiting authority, official or non-official, in order to guard against the possibility of social oppression by a village clique ; if their affairs are sufficiently public and if they can win the confidence of the money-lender and the shopkeeper, they should go far to liberate the countryside from its twin curses of debt and faction.

